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# West Europe Report

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8 APRIL 1987

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## FINLAND FEARS ISOLATION IF NORWAY, SWEDEN JOIN EC

Oslo AFTENPOSTEN in Norwegian 21 Feb 87 p 4

[Article by Morten Fyhn: "A Nightmare to Stand Alone"]

[Text] An extensive round of discussions in Helsingfors leaves no doubt: Finland has "discovered" that an intensive integration process is taking place in Western Europe that it itself is standing outside of. And what is worse: The Finns think that several of their country's partners in EFTA will soon abandon a sinking ship and instead go on board the EEC ship.

This gloomy Finnish evaluation of developments in Western Europe comes at the same time as the Finnish economy is orienting its economy more and more toward the West, while trade with the Soviet Union is declining. As early as this year the Finnish economy will probably sell more to Norway and Sweden together than what the Soviet Union will buy from Finland. Primarily because of the low oil prices, but also because of inertia in the system and problems in finding suitable Soviet products to sell to Finland, export to the Soviet Union will sink this year to only about 16 percent of the total Finnish export. Not many years ago it was up to almost 25 percent.

## EEC Most Important

The EEC countries are Finland's more important and largest trade partners. Last year over 38 percent of the exports went to these countries, while the EFTA countries and the COMECON countries each had 22 percent.

These are key figures of extremely important economic and political significance for Finland. The development points unambiguously toward increased exports to the West. Therefore it is a burningly important question what happens in Western Europe. It is all right for Finland to stand outside the EEC as long as important trade partners such as Norway and Sweden also do so. But these two countries are to an even greater degree than Finland dependent upon the EEC countries for their exports. Therefore the process within the EEC toward a completely developed internal market by 1992 and the constantly increasing interest of the EFTA members to improve their relationship to the EEC are being followed with increasing concern in Helsingfors.

It is just about a year since Finland took steps to be associated as a full member of EFTA, at the same time as the country joined the High technological project, Eureka, and became a member of the European Space Agency (ESA). It is said in Helsingfors that this certainly does not mean that Finland's foreign policy has moved westward. On the contrary, they say that the relationship to the Soviet Union is and will remain a cornerstone.

#### Complicated Task

The Finnish dilemma is to try to join two almost completely incompatible vital interests: the economic one to Western Europe and the foreign and security policy to the Soviet Union. They fear the issue will come unwantedly and dramatically to the fore if Norway and Sweden enter the EEC. In no way does Finland want to be left alone in the North. In the meantime, they hope that East-West relations can be relaxed so much that the European opposition will be greatly reduced. Hardly anyone is as interested as Finland in the development of a continually closer relationship between the EEC and the East European cooperative organization, COMECON. For neutral Finland, this rapprochement can also lead to an improvement in Finland's relationship to the EEC without its participation in the political and military integration of Western Europe. Its friendship, cooperation, and support pact with the Soviet Union make it impossible for Finland to participate as a full member of the EEC.

#### "Norway Will Become a Member"

Many key persons in the Finnish economy seem to take it for granted that Norway will become a member of the EEC in the course of the coming decade. Several members of the government with whom AFTENPOSTEN has talked express the same opinion. Some even think that neutral Sweden will be forced by economic considerations to reevaluate its rejection of full membership. The Finns are prepared for the EFTA countries Austria and Switzerland to enter the EEC. The nightmare is Norwegian and Swedish membership.

The important Finnish-Soviet trade has recently been the subject of discussions in the common economic commission. A central question that is also of great interest to the economies of Norway and Sweden has been the preparation being made for the industrial exploitation of the mineral riches on the Kola Peninsula. Official Norwegian and Swedish delegations have visited the present areas and have not hidden their great interest in taking part in cooperative ventures.

#### Subdued Optimism

Now it seems clear that it will take a long time before any projects can be realized, and that they will not be as large as many believed; at any rate not in the foreseeable future. Nevertheless, a working group has presented a survey of 17 possible projects, and these are now being studied further. But Finland's previously enormous interest in Kola has lessened, according to a member of government's statement to AFTENPOSTEN.

## Tempting Partners

This illustrates the problems that are found when one must cooperate with the Soviet Union. The Finns have learned the difficult art of patience and are not surprised that it seems more difficult than many in the West believed to agree with the Russians on concrete common projects. Compared with this inertia on the Soviet side and with prospects in the years to come, the developments in Western Europe, particularly within the EEC, stand out as particularly tempting and also urgently necessary for the Finns to participate in.

9124

CSO: 3639/23

## WITHOUT EC MEMBERSHIP COUNTRY INCREASINGLY ISOLATED

Oslo AFTENPOSTEN in Norwegian 21 Feb 87 p 3

[Text] This month Norway experienced a significant diplomatic isolation during a new and important phase of East-West negotiations, since the EC countries now wish to act as a distinct group with a more concrete profile than before. A government source in Oslo describes the situation as "hardly pleasant."

It is at the KSSE conference in Vienna on security and cooperation in Europe that the political movements today become most visible, in the wake of new signals from Party Leader Mikhail Gorbachov. And it is there that Norway has experienced concrete examples of its isolation. This is because EFTA, when agreement cannot be reached in NATO on common Western positions, prefers to present its own EFTA proposals -- without formal support from countries outside EFTA.

This last happened Wednesday of this week when EFTA's 12 members made their own proposal on a special subconference under KSSE to discuss economic cooperation between East and West. Press reports from Vienna confirm that the U.S. and Canada oppose such a conference. This is now a very central issue after Gorbachov has begun his modernization push in the Soviet economy. Norway would normally have entered as a co-proposer behind such a project -- if we had been allowed. Similar situations have arisen several times recently.

EFTA countries appear increasingly marked as a distinct group, have comprehensive discussions before meetings with the other NATO countries (U.S., Canada, Norway, Iceland, and Turkey), and point constantly to their new "common European agreement." This is a document that comes into effect this year as an extension of the Rome treaty.

It is especially France that wishes to give EC a clearer profile in Vienna, for questions concerning security in Europe and humanitarian matters as well. The thought of their own economic conference comes from Bonn with support from Paris and London.

9124

CSO: 3639/23



## POLL SHOWS DROP IN GONZALEZ POPULARITY

Madrid EL PAIS in Spanish 27 Feb 87 p 16

[Text] Madrid--Prime Minister Felipe Gonzalez' popularity has declined as a result of the debate on the state of the nation. The drop is very sharp in Madrid, where those who say that their opinion of the prime minister has declined account for a substantial 48 percent, while only 8 percent say that their opinion of him has improved. In fact, throughout the country, except Barcelona, more people say that the prime minister's image is worse than say it has improved. There was very little interest in the debate.

The question was: "Yesterday and the day before yesterday there was a debate in the Cortes on the state of the nation. Did you follow it?" The answers show that a little more than one-fourth of the Spanish population followed the debate more or less closely. One-third of the citizenry paid no attention to it, and the rest paid very little attention. Interest in the debate was almost double in Barcelona what it was in Madrid.

## The Participants in the Debate

The respondents were asked the following two-pronged question: "What politicians do you remember taking part in the debate?" and "Which of the speeches that you remember in the debate did you find the most interesting?"

The speeches that were remembered far more than any others were by Felipe Gonzalez and Adolfo Suarez. Behind them came the addresses by Garcia Tizon, Roca and Iglesias, followed by Oscar Alzaga and, far back, the other spokesmen who took the floor.

The respondents rated the various speeches by the representatives of the major parties in almost the same order as they remembered them. Perhaps the relationship between remembering and thinking highly of the speech is more positive in the cases of Garcia Tizon and Felipe Gonzalez than in the cases of Adolfo Suarez, Miguel Roca and Gerardo Iglesias.

## Assessment of the Debate

The following question was asked to compare this debate with previous ones: "Compared to other similar debates held in previous years, would you say that this one was more, less or just as interesting?"

The answers show that most of the people who followed the debate did not find it particularly interesting. Only Barcelona followed the debate closely and thought more highly of it than either Madrid or the country at large.

The poll was conducted by the Instituto Demoscopia, S.A. under the direction of sociologists Rafael Lopez Pintor and Jose Juan Toharia, who are professors at the Autonomous University of Madrid, from among a nationwide sample of 800 persons over the age of 18 and of both sexes in municipalities with more than 2,000 inhabitants (where 92 percent of Spain's population lives). The level of reliability is 95.5 percent, with a margin of plus or minus 3.5 percent for the overall data. The final selection of the respondents at home was made in accordance with the random route system and sex and age quotas. The interviews were conducted yesterday, Thursday, 26 February.

"After the Debate, Your Opinion of Prime Minister Felipe Gonzalez..."

<u>Answer</u>	<u>Nationwide</u>	<u>Madrid</u>	<u>Barcelona</u>	<u>All Capitals</u>	<u>Other Municipalities</u>
Has Improved	12	8	24	10	13
Is About the Same	36	37	58	37	36
Has Worsened	22	48	16	26	19
Don't know/no answer	30	7	2	27	32
Total (800)	100	100	100	100	100

"There Was A Debate Yesterday and the Day Before Yesterday in the Cortes on the State of the Nation. Did You Follow It?"

<u>Answer</u>	<u>Nationwide</u>	<u>Madrid</u>	<u>Barcelona</u>	<u>All Capitals</u>	<u>Other Municipalities</u>
All or Most	9	6	18	10	7
About Half	19	21	27	18	19
Just a Small Part	41	39	51	38	43
Not at All/No Answer	31	34	4	34	31
Total (800)	100	100	100	100	100



"What Politicians Do You Remember Participating in the Debate? "Which of the Speeches That You Remember Did You Find the Most Interesting?"

<u>Name</u>	<u>Remember Speech</u>	<u>Most Interesting Speech</u>
Felipe Gonzalez	56	17
Adolfo Suarez	40	11
Arturo Garcia Tizon	25	9
Miguel Roca	24	6
Gerardo Iglesias	20	4
Oscar Alzaga	11	1
Eduardo Martin Toval	4	1
Juan Maria Bandres	4	1
Jose Antonio Segurado	2	--
Inaqui Anasagasti	2	--
Hipolito Gomez de las Rocas	0.8	--
Luis Mardones	0.3	--
Miguel Izquierdo	0.1	--
Xenen Bernardez	0.1	--
No Answer	15	50
Total (800)	204.3*	100

\*More than 100 because of multiple answers

"Compared to Other Similar Debates in Past Years, Would You Say That This One Was...?"

<u>Answer</u>	<u>Nationwide</u>	<u>Madrid</u>	<u>Barcelona</u>	<u>All Capitals</u>	<u>Other Municipalities</u>
More Interesting	15	15	25	16	15
About the Same	30	36	45	30	30
Less Interesting	15	30	18	17	13
Don't know/No Answer	40	19	12	37	42
Total (800)	100	100	100	100	100

8743

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## PRIME MINISTER CARLSSON'S CIRCLE OF ADVISERS DESCRIBED

Stockholm SVENSKA DAGBLADET in Swedish 25 Jan 87 p 6

[Article by Anders Jonsson: "Feldt Has Strong Position in Carlsson's Circle"; first paragraph is SVENSKA DAGBLADET introduction]

[Text] Today SVENSKA DAGBLADET begins a series on party leaders' advisers. Who they are and how close they are to the center of power. The big names surrounding Prime Minister Ingvar Carlsson are presented here.

In the government there is an inner circle of three cabinet colleagues. In the Cabinet Office there are three or four important figures. And there are several loyal old friends he can turn to for advice.

That is a summary of the circle of people who can be described fairly accurately as Prime Minister Ingvar Carlsson's advisers.

Since Ingvar Carlsson came to work for Tage Erlander in the early 1960's he has worked in almost all the areas in the political sphere. This means that he has good contacts with the experts in various areas and he also has a better mastery of the basic facts of domestic policy than his predecessor, Olof Palme.

Thus there are many advisers. But the picture [not included] is an attempt to show those who are closest to the prime minister.

There is an inner government and Social Democratic Party cabinet that consists of Finance Minister Kjell-Olof Feldt, Industrial Affairs Minister Thage Peterson and Foreign Minister Sten Andersson, in addition to Ingvar Carlsson.

#### Closer to Feldt

As SVENSKA DAGBLADET reported earlier, Ingvar Carlsson works much more closely with Kjell-Olof Feldt than Olof Palme did. The reason is that Ingvar Carlsson is more interested in following the issues that must be decided at an early stage.

The policy the Social Democrats pursued in the government position after the 1982 election victory was formed by the so-called war group in which Ingvar Carlsson and Kjell-Olof Feldt played a leading role.

Thage Peterson and Ingvar Carlsson have been very good friends since the 1960's and they also socialize in their spare time, among other places at their summer homes in Gotland which are only about 10 meters apart.

As far as one can judge, Ingvar Carlsson consults Sten Andersson more in his capacity as long-time party secretary and party tactician than in his capacity as foreign minister.

Outside the inner government circle, Ingvar Carlsson has some special confidants in the Cabinet Office.

As speech writer for Olof Palme for 7 years and public relations man for the ARE Company for 2, Carlsson's undersecretary, Kjell Larsson, has made himself a master of phrasing. Now, according to some people SVENSKA DAGBLADET talked to, it is due more to chance than to competence that he has been allowed to take charge of the administration of the prime minister's office.

Odd Engstrom cannot be called an undersecretary, because it has been decided that there should be only one undersecretary in the Cabinet Office. Therefore he has been given the title of special adviser, but he is paid a director general's salary. He has succeeded Ingvar Carlsson in the role as the government's special problem solver.

Ingvar Carlsson inherited foreign affairs adviser Hans Dahlgren, who has the title of ambassador, from Olof Palme.

Klas Eklund, who moved over to the Cabinet Office after several years with Feldt, is important because he handles contacts with the Finance Ministry and because he and Kjell Larsson keep a watchful eye on budget work.

#### Carlsson's Ear

The Cabinet Office also contains press secretary Marita Ulvskog, who some people say has the prime minister's ear, and Ann-Christin Tauberman, who is a coming star on the political horizon, according to some of the people SVENSKA DAGBLADET talked to.

Gudmund Larsson, who was recruited to the Cabinet Office from the Federation of Trade Unions [LO] to lead the work on the upcoming research bill, is also regarded as a "heavyweight" in the circle around Carlsson.

As we said, outside the walls of the government office building the prime minister has many contacts, created over more than 20 years in the inner circles of the Social Democratic Party.

It is hard to make a selection, but two people stand out more than others. They are former Cabinet Office Undersecretary Ulf Larsson, the new director general of the National Correctional Administration, and Harry Schein, president of the Investment Bank.

Both are regarded as friends Ingvar Carlsson turns to now and then to test out ideas or get help in solving a problem. A third friend of this kind is Jan O. Karlsson, undersecretary in the Finance Ministry, who has a name for having an infallible political sense.

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## PAPER: RIKSDAG GENERAL POLICY DEBATE REVEALS SPLIT OPPOSITION

Stockholm DAGENS NYHETER in Swedish 5 Feb 87 p 2

[Editorial: "Weak Government Meets Split Opposition"]

[Text] The division of the nonsocialist opposition was a welcome theme for Ingvar Carlsson in the Riksdag general policy debate. Carl Bildt and Olof Johansson offered an example by once again attacking the defense agreement between the Social Democrats and the Liberals, while both affirmed their own willingness to compromise.

Carlsson was able to conclude his own speech with a list of important political issues on which the three nonsocialist parties have basically divided opinions. These include nuclear power, taxes, regional policy, milk subsidies--and even their views on the extent of state spending generally. One could read between the lines that the prime minister found the Liberal Party's standpoints more acceptable than those of the Conservatives or the Center Party. Again Carl Bildt was treated as the major opponent among party leaders.

Bildt himself clearly delineated the special position of the Conservatives by ruling out party cooperation in practice on any tax reform that does not lead to a reduction of the total tax burden. According to the Conservatives, Sweden as a whole has reached its tax limit and thus any redistribution of the burden would lead to overburdening some group. With this he rejected Kjell-Olof Feldt's outline as well as the proposal of the Association of Salaried Employees [SACO] and the Association of Business Administration Graduates [CR], both of which are aimed at lowering marginal taxes while retaining the overall tax level.

Although neither Bengt Westerberg nor Olof Johansson would commit himself in the debate to opposing the idea of reducing the tax burden, it is obvious that their view of a future tax reform is aimed in a different direction. Neither one is prepared to carry out the extensive reduction of public spending that the Conservative tax policy would require.

Instead Westerberg wants to reduce marginal taxes by abolishing the basic deduction, among other things, while Johansson appears to hope that the

financing could be accomplished mainly through higher energy and environmental taxes. The Liberals and the Center Party have conflicting views on the basic deduction question, but they are both prepared to reduce the depreciation opportunities for stock companies, which in effect would increase company taxes. But as long as the Liberal Party puts so much stress on stimulating growth while the Center Party emphasizes more equalization, the two parties will also continue to stand a considerable distance apart.

It could seem like an ideal situation for the Social Democrats when the nonsocialist parties demonstrate such a divided picture. But the opposition parties still have time to agree on a more unified policy before the 1988 election if they really want to. At the moment the government's concern is that the Left-Communist Party [VPK] is not much help when it comes to decisions involving the national budget, which means that the support of one or more of the nonsocialist parties must be sought.

There are not many possibilities for action here. The Conservatives have clearly shown that they are not ready to cooperate even when it involves carrying out the party's own proposals in the form of government policy; this is true of the so-called BB tax, for example. In the past year the Center Party has pursued an outbidding policy in relation to the government to an increasing extent; compromises in that direction would weaken the budget. This leaves the Liberal Party, which made it clear that it will stand by its proposals even if they are presented by the government.

One may suspect that another agreement on nuclear power is on the way between the Social Democrats and the Liberals. But otherwise there is little room for regular compromises. This means the government could be faced with the alternative of reshaping its proposals on reduced state school subsidies, the elimination of milk subsidies and revising municipal tax rates--or dropping them. The same is true of the government's chances of carrying out the promise made in the fall of 1982 with regard to an increase in the general supplemental pension fund plan to compensate for devaluation; the entire opposition from VPK to the Conservatives would rather take hold of the government's more recent pledge to improve the lot of pension recipients in the "poorest position."

In the general policy debate Ingvar Carlsson and Kjell-Olof Feldt were able to take credit for the price freeze, followed by the announcement that the National Federation of Trade Unions [LO] and the Negotiation Cartel for Salaried Employees in the Private Business Sector [PTK] have dropped their demand for renegotiation or a price clause. However an indication was given as to how the government will be able to rule in the coming year. For the moment this is really a more important question than how the opposition parties can overcome their division.

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## LATEST EC INTEGRATION MOVE POSES NEW CHALLENGE FOR BUSINESS

Stockholm DAGENS NYHETER in Swedish 15 Feb 87 p 15

[Article by Bo A. Ericsson: "Sweden Hopping on European Train"; first six paragraphs are DAGENS NYHETER introduction]

[Text] Now Sweden is moving toward Europe. Little by little an adjustment must be made to the big internal market that is the goal now that EC is taking its biggest step to date in that direction. We cannot afford to remain outside, the government says. But at the same time warning voices are being raised--and what will happen to Nordic cooperation?

Denmark belongs to both EC and the Nordic bloc. That gives the Danish government under Poul Schluter's leadership a double role.

Half of Sweden's exports go to EC. Unless we keep up with the EC development, jobs will be jeopardized, according to the government.

An intensive debate on Europe is taking place in Norway. People in Gro Harlem Brundtland's ruling Labor Party are advocating a closer association with EC.

EC membership is out of the question for Finland. The Finnish government, headed by Kalevi Sorsa, is now following developments in the rest of the Nordic bloc closely.

Iceland is the fifth Nordic country. Headed by Prime Minister Steingrimur Hermannsson, Iceland belongs to NATO but not EC.

When World War II came to an end, Europe lay in ruins and the individual countries faced enormous human, political and economic problems.

Out of this chaos the European idea emerged: to weave the economies of the countries together so that future wars would be impossible.

Today, some 40 years later, almost all Western Europe is encompassed by EC, the European Community. With 320 million inhabitants it accounts for 85 percent of Western Europe's total GNP.



Now EC is taking its "biggest step to date": all remaining internal trade barriers will be eliminated and a gigantic European market will be created with a free flow of people and capital, goods and services. The plan is that the "new" EC will be ready by 1992.

This process is generally regarded as perhaps the most important development in Western Europe today. Those who tend to be euphoric talk of a "new era."

If that is so, what will happen to Sweden, which is not a member of EC--or to Norway and Finland, also nonmembers?

#### Sweden's Situation

In brief, this is the situation as far as Sweden is concerned:

For foreign and security policy reasons, we cannot apply for full membership in EC.

At the same time we cannot stay outside either. That, most observers say, would lead to an isolation that would hurt both employment and the living standard.

The question then is how close we can come to Western Europe without being swallowed up and forced to abide by decisions made in Brussels, EC's "capital."

That is the core of the European activity in Sweden that is now increasing in intensity.

What EC's new phase involves is the creation of an unlimited internal market with synchronized laws and regulations in which all trade barriers have been eliminated. It is estimated that this will provide cost savings of 5 to 10 percent, open up new jobs and increase prosperity.

Lord Crockfield, vice chairman of the EC Commission, said at a packed government seminar in Stockholm a few weeks ago:

"What it really involves is welding 12 countries together into the world's biggest trade bloc as a counterbalance to the United States and Japan."

Around 300 measures are listed in the White Book that comprises EC's program for this operation. Some 50 directives have already been approved by the Council of Ministers, even if they are running somewhat behind schedule.

"There is great determination in EC," Swedish diplomats in Brussels say. EC is Sweden's most important market today, more important than EFTA, our "own" free trade area. Around 50 percent of Sweden's exports go to EC countries. Swedish firms are increasingly aiming at the European market.

Since the beginning of the 1970's Sweden, Norway, Finland, Iceland and the other EFTA countries, Austria and Switzerland, have had a free trade agreement with EC. This provided Sweden and the other countries with duty exemption on industrial products sold to EC markets and has worked very well.

But now that EC is going one step farther this agreement is threatened with collapse unless the EFTA countries, in a parallel process with EC, make an adjustment and eliminate their own internal trade barriers.

The Swedish government's line is that we cannot remain outside the EC development. We must keep up with it. In the past week Anita Gradin, the new foreign trade minister, visited the EC Commission in Brussels as a further demonstration of Sweden's interest in moving closer to EC.

"I explained that Sweden is now prepared to jump on the European train along with the other EFTA countries, but with the same limits as before with respect to foreign and security policy areas," said Gradin. "I also pointed out that we are anxious to come in on the process as quickly as possible, which will give us an opportunity to influence it. The response I received was positive."

### Three Levels

Sweden is now moving toward Europe on three levels.

On the national level, special groups on Europe have been set up at the Chancellery and between departments. At the same time a larger coordination effort is being considered among central boards and agencies--traditionally independent and somewhat slowmoving--to keep them from taking steps that could make the goal, a systematic coordination with the EC development, more difficult to attain.

Coordination is also the key word for activities on the second and third levels, the Nordic bloc and EFTA.

EFTA has gradually become more important to its members as an organ for EC contacts than as a free trade area. The EFTA secretariat in Geneva may now be expanded to deal with increased EC contacts.

Undersecretary Carl-Johan Aberg of the Foreign Ministry's trade section said:

"It is desirable for countries outside EC to act in groups, instead of individually. Then both the Nordic bloc and EFTA could play a central role."

From a political point of view there are no major differences between the government and the nonsocialist parties on the European question. The most enthusiastic friends of Europe can be found among the Conservatives. The

Left-Communist Party [VPK], on the other hand, is issuing warnings against an exaggerated eagerness to adjust and a blind faith in the blessings of EC. There are also some doubts in sections of the Center Party. A few Social Democratic voices have also signalled restraint.

In the business sector, on the other hand, people would prefer full EC membership to guarantee the continued equal treatment of Swedish industry, but they accept the fact that this is not possible today.

The labor movement does not want to end up outside EC either, for the sake of jobs, among other things.

But at the same time there are quite a few warning voices in that camp: an adjustment to EC must not be made without regard to the cost. The uneasiness of the union movement involves among other things the risk of a deterioration in the job environment and consumer protection, areas where Sweden is regarded as being ahead of the EC countries.

#### Changing Picture

When it comes to the attitude of the other Nordic governments toward the European question, the picture changes somewhat. In Helsinki the arguments resemble those heard in Stockholm. For foreign policy reasons, EC membership for Finland is out of the question--but at the same time the consequences of staying outside will be hard on the Finnish economy.

In Norway the situation is different. Norway already belongs to NATO and does not see the political aspect of EC as an obstacle in itself.

After a popular referendum in the early 1970's, Norway decided not to seek membership in EC. But today public opinion has shifted in the direction of increased interest in Europe. There are people in Swedish industrial circles who believe that Norway will be a member of EC within the next 5 years.

Denmark, for its part, already has full membership in EC (as it does in NATO) and is now being increasingly drawn into the European sphere and perhaps away from the Nordic sphere.

(For Iceland, the fifth Nordic country, special conditions prevail, as always. Iceland is a member of NATO and the attitude the country adopts toward EC in the future will probably be determined primarily on the basis of fishing considerations.)

#### Nordic Split

Thus it is not an inconceivable scenario that the Nordic bloc will be split--with Denmark and Norway inside the European camp and Sweden and Finland more or less outside. Such a prospect leads to palpitations at the Chancellery. Things cannot and must not get that bad.

The EC White Book on the free internal market the organization will now try to implement has been carefully studied in Nordic capitals and a joint study of its consequences has been conducted.

This led to the Nordic Council of Ministers agreeing on a proposal to eliminate internal trade barriers in the Nordic areas as part of a synchronization with EC. The proposal will be presented when the Nordic Council meets in Helsinki a week from now. It is anticipated that an intensive debate lies ahead.

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## FORCES, PERSONALITIES INVOLVED IN ISLAMIC REVIVAL

Madrid CAMBIO 16 in Spanish 9 Feb 87 pp 14-21

[Article by Domingo del Pino, Julio Fuentes, Sebastian Moreno and Gonzalo San Segundo]

[Excerpt] Five hundred years after the fall of Granada, Islam is undergoing a resurgence in Spain. Hundreds of thousands of Muslims have settled in our country, and their religion is now second in importance only to Christianity. With their mosques, schools, associations, investments and financial aid, they constitute a real power in the process of growth.

We Andalusians have no reason to do military service for the Spanish state. Arabic should be the national language of Andalusia and, consistent with the mandates of Islam, each citizen should enjoy the right to keep in his home the weapons he deems necessary for his personal defense. This is the political program of the Islamic yamaa (association) named Al Andalus, according to its president, Abderraman Medina, whose Christian name is Antonio Medina Molero.

The yamaa known as Al Andalus, which participated in the last regional elections under the name Andalusian Liberation, flatly rejects any autonomy for the region other than that resulting from the unfulfilled Granada agreements signed by the Catholic kings and the monarch Boabdil of Granada in 1492. And further, this organization believes that the Spanish state should withdraw from Andalusia and that the region should become an independent country, including the present provinces of Murcia and Badajoz, plus the Alcaraz mountain range and the Alcudia Valley as far as Almaden. In other words, the Andalusia which Boabdil, weeping like a woman, lost.

For the time being, the leader of the association assures us that "We have eliminated revolutionary action on the practical level." But this is not for lack of desire. "We are very few, and this would be madness," he explains.

Is Medina just another of the many madmen to be found in this country? But in the Andalusian elections, his party succeeded in winning no less than 6,000 votes. On the other hand, this small sect is only one of the many inspired by the Prophet and prepared to re-Islamize Andalusia, and if possible, all of Spain, which now flourish in this country.

They are not doing badly at all. Today, almost five centuries after the Moors were expelled, there are more than 300,000 persons in Spain who turn toward Mecca to pray, making Islam the second most important religion in Spain, after Christianity.

Supplied with petrodollars generously sent by the countries in the Gulf, regionmainly the devout Saudi Arabia, they are planning the construction of three mosques in Madrid, which will cost them 140 million pesetas. One is in the Pilar district, on land provided by former Mayor Carlos Arias Navarro on the occasion of a visit paid by King Feisal of Saudi Arabia; another is in La Vaguada, on a plot donated by Enrique Tierno Galvan, with Moroccan financing. A third is being built with money from the Saudi Prince Selman, governor of Riyadh. This project has been adopted by the Muslim Association of Spain, headed by a former Syrian student (a naturalized Spanish citizen), Riay Taari.

These places of worship will be added to the 20 some mosques or prayer halls currently in use throughout the length and breadth of the country. There will be still more, with the other projects under way. The most original is the mosque to be built in the very heart of the Albaicin (hilly quarter) of Granada. The most recent is the center for prayer and the propagation of the Islamic culture to be inaugurated next 12 February in the Calahorra Tower, located on the other side of the Roman bridge just opposite the Cordoba mosque.

This construction fever is only the most visible portion of the long and patient arm of Islam in Spain, encouraged in great part by the mouth-watering dollars distributed so generously by King Fahd of Saudi Arabia, the Guardian of the Holy Places. Through the Islamic Rabita and the WAMY (English abbreviation for the World Association of Islamic Youth) and its representative, Ali Ketani, a Saudi Arabian of ancient Moroccan lineage, as well as Mohamed Lajlu, a high-ranking leader in the Moroccan Istiqlal, the Islamic groups receive contributions from the Gulf for the spreading of the faith of Mohammed.

One of the most picturesque beneficiaries of the pious generosity of the Arabs in Spain has been Sheik Abdelkader, perhaps the most charismatic and enigmatic of all of them. He has apparently taken for himself or been assigned the title "Head of Islam in Spain."

Like many of the new Muslims who live in this country, the sheik was baptized at birth under another name and in another religion, as the Scottish Ian Dallas. The life of Abdelkader reads like an adventure novel. First he recorded music for The Beatles, the English group. After his conversion to Islam, with money provided by Ketani and Lajlu, he bought a house in Surrey to establish a "tarika," or Muslim brotherhood, in that British county. There he made contact with Spaniards who persuaded him to go to Spain with them. He settled in Granada, where he founded the Society for the Return of Islam, and applied for permission to build a mosque in the Albaicin itself. Then, because of the dissatisfaction and opposition of some of his followers, he expelled some of them and founded the Derkaui "tarika," and then 3 years later, he reconciled with his former disciples and together with them, established the Al Baida Community.



Sheik Abdelkader is a mysterious man. He appears and disappears like the eyes of the Guadiana. He has visited Morocco and Saudi Arabia, where he was introduced as the highest leader of the Spanish Muslims. The dissidents in his sects detest him and have made his life impossible, in terms of the problems resulting from the ownership of the buildings he has purchased, to the point of forcing him to change his headquarters. They say that the leader owes the Dar al Amaal al Islami Bank in Geneva a million dollars, as well as owing a similar sum to the bank of the same name in Luxembourg, but it is impossible to verify the facts because of the secrecy surrounding these operations.

Muhamad Mubin Medina is an Andalusian, a Shiite and president of the Muslim community in Seville. He became a Muslim along with the sheik years ago in Morocco, and he says that no one knows what his fellow-Muslim's source of income is. "And for my part," he says, "Muslims with no visible source of income worry me. He is a man with a very strong personality, and he also heads a very important group in Madrid." And not only there. His newest venture is the recent establishment of a radical Islamic group in the Basque territory, where the faithful are supposed to say their prayers in the Basque language.

But Ali Ketani's key asset for propagating Islam in Spain is the Algerian politician Ben Bela. After his release in Algeria, Ben Bela was won over by Ketani. Both he and the Libyan leader Mu'ammarr al-Qadhafi had seen how useful a personality like Ben Bela might be in seeking to proselytize the Christian world. With funds from the Islamic Foundation for Science, Technology and Development (the English abbreviation is INFESTA), which is financed by Saudi Arabia, Ketani began to send Ben Bela to various places in the world, until he became angry with him because at the Native Congress in Chicago, he lost control of him. There Ben Bela accused the United States of being the principle enemy of Islam. Today Ben Bela is living comfortably as the leader of some very important organizations of his followers in Almeria and Alicante.

According to some Algerians who live in Campello, the Cultural Association of the Levant, as Ben Bela's main organization is called, urges the "third path." This is a euphemism which means a return to pure Islam, which would be accompanied by the establishment of an Islamic and republican federation including the five countries in North Africa (Morocco, Algeria, Tunisia, Libya and Mauritania). On many mornings, there are stickers bearing the image of Ben Bela everywhere in Alicante, above all on the days when the ferry arrives from Oran.

The concept of another Islamic republic, in Andalusia in this instance, has the enthusiastic support of another shepherd of Muslim souls, Muhamad Mubi Medina, head of the Muslim community in Seville. He makes no secret of his sympathetic attitude toward Iran and the regime of Khomeyni, which is the model for his Muslim Utopia in Andalusia. But he categorically denies receiving any funds from his brothers in the faith at the other end of the Mediterranean. "We are a very poor community which, by means of dues,



finances a study center and a mosque. We are not like the community in Granada which, at least when I was a member, received funds from Morocco, Saudi Arabia and the Arab Emirates.

Medina admits that his community has a total of only 40 faithful in all, almost a joke. A different case is Mohamed Chakor, the correspondent for the Moroccan news agency MAP, who is one of the men who is working for the triumph of Islam in Spain with the greatest force, enthusiasm and success. Chakor, who is the director of the TVE program "Time To Believe," is also an tireless writer, sponsor of Muslim student and workers' groups, and the mainstay of the many Islamic congresses and other events held in Spain.

Another key personage in the Islamic penetration of Spain is Alvaro Machordom Comins, secretary general of the Spanish Muslim Community, over which Ajmed Subaire, a native of Ceuta, presides. But Machordom leads a pro-Spanish faction which has no fundamentalist fantasies. Initially he was a good friend of the kingdom of Hassan II and a key element in the famous dialogue between Spanish and Moroccan intellectuals for the purpose of promoting the Istiqlal Party in the era when its secretary general, Mohamed Buceta, was minister of foreign affairs.

But he is at present more remote from his former protectors. "We do not have relations with Morocco," Machordom emphasizes. "I have written some articles in the Ceuta press which did not please the Moroccan government." Now he devotes himself to writing books about outstanding personalities, who pay for their publication, such as the Indonesian dictator Suharto. He recently spent a month in Libya writing a work on Qadhdhafi, "a man who will go down in history, while even the names of other Arab leaders will be forgotten," he believes.

Together with the influx of militants and believers, there has been a particularly intense hail on Spain of capital from the Islamic world, which often promotes the popularization of Islam in and its penetration of the country of the Reconquest.

In 1984, the wave of Ishmaelite dollars came to a total of 16 billion dollars in investments (some 2 billion pesetas). This year, the Atlantic Bank and the Hotasa hotel chain, which belonged to the Ruiz Mateos group, as well as the Sol chain, were bought by Arab capital.

To this can be added the Arab banks represented in Spain, such as the Spanish Arab Bank, the Aresbank, the Saudesbank and Kuwait Investment Overseas, which has acquired 5 percent of the Central Bank. The Bank of Credit and Commerce of Pakistan came to Spain in 1983, after buying the Discount Bank. Three years later, in 1986, Arab investments totaled only \$2 billion (some 250 billion pesetas).

But the sizable real estate investments made by Arab capital in Spain are impossible to count. First was the Costa del Sol, then the Levant and Cadiz, and now, in the past 2 years, Arab sheiks and princes have been investing in properties on the Costa Brava. These notables include Prince Bandar Ben Mohamed of Saudi Arabia, who arranged to train the outfit of the Saudi Hilal,

owner of one of the finest stables of race horses in Europe, in Kubala. Mohamed has bought land in the Valles Zone to which he will take his horses--they are currently in Paris and London--once Barcelona has completed its hippodrome. Other Saudi princes, such as Turki, have mansions in the Pedralbes residential area in Barcelona, which they hope to make into the Marbella of the Catalanian Coast.

It is estimated that Arab investments in the Costa del Sol exceed 100 billion pesetas. They include the Marbella Centre apartment complex, large portions of Puerto Banus, Puerto Cabo Pino, Puente Romano, the Marbella Club and the El Marfil estate.

The countries which are investing the most in Spain are not precisely the most secular in the Islamic world. Kuwait and Bahrein are the two Gulf emirates which head the list, followed by Libya and Saudi Arabia, the two most militant countries from the religious point of view.

In any case, Spain is only one of the countries which the political-religious leaders of Islam have in their sights. But it is, naturally, a special country, the only European nation with a long and splendid Arab past, to which the place names (Granada, Al Andalus, Cordoba, Alhambra) and the proud and nostalgic names of shops, hotels and restaurants throughout the Ishmaelite world bear witness.

#### Muslims in Spain

Origin	Number
Converted Spaniards	3,000
Algeria, Libya, Tunisia	16,000
Black Africa	12,000
Iraq	3,500
Iran	7,500
Jordan	5,500
Syria	6,000
Palestine	2,000
Morocco	126,000
Pakistan	4,000
Afghanistan	1,000
Egypt	1,500
Lebanon	4,000
Total	192,000

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## NATIONAL BANK VIEWS STRENGTHS, WEAKNESSES OF ECONOMY

Brussels LE SOIR in French 13 Feb 87 p 6

[Article by Pierre Effinier: "For the National Bank, the Belgian Economy Deserves Good Marks on the Whole"]

[Text] The report released last Thursday morning by the National Bank cannot be characterized as jubilant but it comes close to it. Clearly, 1986 has given the "keeper of Belgium's franc" greater cause for satisfaction, particularly when the comparison is made with previous years.

Our transactions with other countries are more in balance; the figures price rises are favorable, if partially deceptive; the profits and investments made by companies are healthy; runaway public finances have been brought back under control; there is less stagnation in the construction sector; and the franc has held at a satisfactory level.

Alongside these positive aspects, the National Bank discusses several reasons for pessimism. The flight of private capital from the country is beginning to take on alarming proportions in macro-economic terms, independent of any question of "right or wrong." Our products, in many cases, are still too outmoded to take on foreign markets. And annual business growth remains insufficient to reduce unemployment.

Questions as to why Belgium did not perform better economically and who is responsible for the errors will automatically spring to mind. But reactions must be cautious: 45 percent of the Belgian economy is bound up with foreign countries.

Rise in prices. In fact, the most significant event of 1986 for our economy had much less to do with us than with the world beyond our borders. The prices of the goods we import dropped by 11 percent. Oil prices fell and the dollar declined...which obviously account to a large extent for our highly satisfactory rate of inflation: 0.6 percent, for a 12-month period, at the end of 1986. But, this masks a 5-percent price rise in products other than energy and food, which is less reassuring.

Our sales abroad. Here, there is reason to be satisfied. Our exports (combined with Luxemburg's) are increasingly outdistancing our imports in value.

The most important indicator of our transactions with foreign countries, the "current account" which includes transfers of funds in addition to goods and services, indicates a very comfortable "plus" of 150 billion [Belgian francs] as compared with 40 billion in 1985. (We recall that in 1981, 1 year prior to the 8.5-percent devaluation of the Belgian franc, there was a "minus" of 155 billion.) But this improvement is in part explained by the fact that the prices of our exports decreased less (6.9 percent) than the prices of our imports (the 11.1 percent mentioned above).

Healthy business profits. Here, the news is unequivocally good. It was possible, to a certain extent, to convert the drop in import prices previously mentioned into new profit margins (up 16 percent !). Production costs have been brought back down. The available income of companies, before depreciation, increased no less than 34 percent!

Healthy investment figures. Investments made by companies in fixed capital grew by 7.6 percent in 1986, against 3.9 percent last year. In this connection, the National Bank finds "greater dynamism than anywhere else." The manufacturing industries, which are so important to us, once again were favored. And 1987 will see further growth in investments by companies.

Reasonable growth in wage costs. The National Bank's report states, more than once, that wage costs did not constitute a growing burden on companies as they did several years ago. Wage costs per unit of output are reported to have increased by only 0.8 percent, one-fourth of their 1985 increase. "The comparison between the data for Belgium and the data for the eight leading industrialized nations indicates that costs per unit have increased noticeably less in Belgium than elsewhere.... In constant prices, employee remuneration including social benefits contributions is estimated to have risen by 1 percent on the average."

But the "inherited income" and "private income" increased 6.4 percent after inflation compared with 5.1 percent in 1985!... Thanks to this, income of private individuals increased 3.7 percent after inflation. All at once, private consumption increased 3 percent, to the benefit--returning to old habits--of automobile sales and oil refineries!

Construction. Spending by private individuals on new housing is reported to have increased by more than 4 percent, but this does not apply to low-income housing. Employment in the construction sector rose for the first time since 1979.

#### The Negative Points

For the National Bank, economic growth in 1986 was still not strong enough to bring about a reduction in unemployment which claimed 12.3 percent of the work force at year's end, against 12.7 percent a year ago. This compares to the European average of 11.8 percent. (In the United States, the figure is 7 percent and in Japan, the champion of employment, 2.8 percent.) But here, as elsewhere in the EEC, there is a reluctance to stimulate the pace of business growth out of a fear of economic unknowns....

Moreover, our products for exportation are often not advanced enough technologically to be able to face international competition. For years, the gap has been widening.

Finally, the amounts of private capital leaving the country are beginning to alarm the National Bank. The outward flow reached some 185 billion in 1986. About 170 billion went toward the acquisition of foreign securities. What should be made of this? That savers do not yet have full trust in spite of the economic progress made? Or that an evergrowing number of small investors have followed the lead of the big evaders? The National Bank does not offer its views on the matter.

The outflow of capital has "consumed" the entire present surplus of the balance of payments (the 150 billion mentioned above) and then some....

And the Franc?

It is clear that the Belgian franc no longer gives the National Bank bad nightmares despite the points conceded to the mark and the florin at Ootmarsum in April 1986 and at Brussels in January 1987. From an optimistic angle, the issuing institution could even say that the franc gained 8 percent "across the board" in 1986, but this would be interpreting the devaluation of the dollar and the pound rather loosely. The Treasury's sales of currency to sustain the franc in moments of strain totaled 72 billion, against 34 billion in 1985. These are not dramatic figures by the standards of what we experienced in 1981 --a dark time that has not been forgotten at the National Bank which recalls in its report that the depreciation of the franc at the beginning of the 1980s was destroying our economy. This in itself constitutes a commitment to continue to defend the franc, and it is accompanied by a classic signal aimed at the government to pursue the effort to reduce the public deficit.

On the subject of our free exchange market, the National Bank says in essence that it will continue along quietly up to 1992. After that, there are strong chances that it will be sacrificed on the EEC altar, once the movement of short term capital is fully freed.

Belgium, A Country of Good Living

The result of all of the above, according to the National Bank, is that in spite of everything Belgium remains one of the countries where household income is very high in relation to the total national wealth produced in a year. By virtue of this, we are still a country of "consumers" worthy of envy....

12413/12859

CSO: 3619/31



## ECONOMIC COUNCIL GIVES OPTIMISTIC FORECAST FOR 1987

Brussels LE SOIR in French 13 Feb 87 p 6

[Article by M. Vanden Driessche: "Economic Situation: The Central Council is Optimistic and Expects Positive Indicators in 1987"]

[Text] All analyses agree: Belgium's economic indicators will be positive in 1987 and will reflect in particular the freeing of wage controls, the effects of Val-Duchesse and a more marked improvement than in 1986 in our foreign trade. The Central Council on the Economy (CCE), as several banking institutions have already done, has published its own economic forecasts for 1987.

The growth of world production reached 3 percent 3 years ago and should continue at this level again this year. But according to the CCE, the countries of Europe have to a certain extent assumed the role of engine of the world economy which had been the role of the United States and the OPEC countries until now, and there is no indication that a change is coming. World trade, which grew by 4 percent in volume, could also rise slightly. In 1986, the terms of trade for the EEC countries improved by 10 percent and their balance of payments surplus reached 50 billion dollars. Growth in these countries reached 2.5 percent--a performance that could improve slightly in 1987--while Japan and the United States are expected to grow by only 2.4 percent and 2.3 percent.

The EEC's growth is considered attributable in large part to an expansion of domestic demand--up by 3.7 percent, a level that should maintain itself this year despite the slight increase (0.8 percent) in unemployment and the drop foreseen by all in investment.

For Belgium, CCE observes that the gross national product grew by 2 percent last year, subsequent to the increase in industrial investments and exports and thanks to an increase in household consumption. The Val-Duchesse measures will not be able to maintain this figure this year: 1 to 1.5 percent is expected which will be below the European average.

Over the first 9 months of 1986, industrial output grew by 3.5 percent in relation to the same period in 1985, or, if construction is included, by 3.9 percent. Involved in this is the increase in the production of durable goods (up 7.8 percent), capital goods (up 4.7 percent) and non-durable consumer goods and raw materials (up 2.6 percent).

Investments, which are estimated to have increased by 7 percent in constant prices in 1986 (compared to 8 percent in 1984), should undergo a nominal increase of 15 percent in 1986 and 10 percent in 1987. But it is significant that investments aimed at business expansion are growing in relation to investments made to streamline operations and that their influence on employment has proven more positive.

The indicator for retail sales volume, based on declarations of VAT [value-added tax], rose by 3.9 percent in constant prices over the first 9 months of 1986, with the most marked increases in paper and books (14.8 percent), fuels (12.7 percent) and household goods (5.1 percent). By contrast, sales of food products grew by only 0.9 percent, as compared with a 10-percent increase in automobile sales! However, the CCE estimates real growth in household consumption in 1986 at 2 percent or even 2.5 percent, but foresees growth of no more than 1 percent this year.

All studies give high marks for the foreign trade figures in view of the strong growth in both exports and imports (7.7 and 9.5 percent). As for the balance of payments, a current account surplus on the order of 100 to 165 billion is expected--a figure that could improve further in 1987 and reach 150 to 200 billion. And contrary to what occurred in 1986 when imports grew more than exports in volume, the improvement expected in 1987 would primarily be attributable to a greater increase in export volume than in import volume, as has already been forecast in a study by the FEB [Federation of Belgian Businesses] last December.

Inflation, it has been said repeatedly, is expected to climb back up to 2 percent in spite of the lower price rises last year for a whole range of products and despite, as has been said, the spectacular decline in the rate of inflation. But many unknowns remain with regard to OPEC policies and the price of a barrel of crude oil.

As for the job market, it is showing an increase of 0.9 percent in the private sector. But 1987 trends should reflect Val-Duchesse and a drop in public sector employment...which could be offset by the private sector, particularly for part-time employment. It has been observed that the number of job seekers having no work at all has decreased by 16,000, which, says the CCE, lends support to the supposition that the rise in employment has primarily involved part-time work.

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## SIGNIFICANT DROP IN REAL INCOME EXPLAINED

Oslo AFTENPOSTEN in Norwegian 3 Feb 87 p 3

[Article by Cecilie Norland: "Six Thousand Kroner Less per Norwegian Last Year"]

[Text] Each Norwegian lost 6,000 kroner in disposable real income last year, at the same time that, among other things, interest costs increased by three billion kroner from eight billion for all Norwegians in 1985 to 11.5 billion in 1986. With these and a series of other gloomy figures, the Central Statistical Office now documents the much discussed crisis situation in the Norwegian economy last year in its "Economic Survey of 1986."

"The difference between the price increase in Norway and important trade countries became even larger in 1986. The price increase is and will remain the main problem of the Norwegian economy. Private consumption is not conspicuously high in relation to our income and production -- we are now on the same level as Sweden and Denmark. Private consumption created a stir because the increase occurred so rapidly, but it is not private consumption that is the problem in the Norwegian economy," Research Director Olav Bjerkholt of the Central Statistical Office said as the company presented its survey of last year yesterday.

In contrast to what is often claimed by concerned financial politicians, it is the poor return on our investments, and not the level of consumption, that is contributing to our economic difficulties.

## 7.2 Percent Price Rise

The consumption price index rose by 7.2 percent from 1985 to 1986. The difference between Norway and our most important competitors is constantly growing, and this makes our already weak competitive ability worse. In its explanation of the price rise, the Central Statistical Office pointed to the devaluation, which caused increased import prices, a duty increase, wage growth, and a probable increase in corporate profits. As far as the latter are concerned, the office points out that the figures differ considerably -- some of the data indicate that several companies increased their profits in 1986, while other data point in the opposite direction.

Some documentation of how much the profits have increased will not be available to the office before it receives more data later this year.

#### Weakened Exchange Ratio

A major problem in 1986 was the weakening of the foreign balance. The business balance of last year shows a deficit of 33 billion kroner, and in all the exchange ratio abroad worsened by a full 60 billion kroner. Forty billion are caused by the price decrease for Norwegian goods, primarily oil and gas, but also oil and gas related products and other goods and services.

#### Uncertain Consumption Development

The Central Statistical Office says that developments in private consumption in the future are extremely uncertain. Last year private consumption increased by 5.5 percent, but slowed up strongly toward the end of the year. Consumption in 1987 will depend upon savings, which reached a historical low last year. If savings come up to the previously "normal level," consumption will fall by about ten percent. An expected weaker consumption development is due among other things to the decline in disposable real income and increased interest and debt payments for most people.

The gross national product increased last year by 3.8 percent. Excluding oil and shipping the increase was 3.5 percent, somewhat weaker than in 1985. Gross investments also increased, by 21.8 percent.

Employment rose strongly last year -- by a whole 3.5 percent. Unemployment was only 1.9 percent. Productivity growth, however, was very weak; for a series of companies, employment increased more rapidly than production.

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## ECONOMIC IMPROVEMENT BRINGS BANKRUPTCY RATE DOWN

Madrid EL PAIS in Spanish 10 Feb 87 p 48

[Article by Gustavo Matias]

[Text] The number and the economic importance of bankruptcies and suspended payments dropped in 1986 to a half of what was reported for the preceding fiscal year, for the second consecutive year, according to the data made available yesterday at the National Statistics Institute (INE). This drop, a result of the improvement in economic activity and the financial recovery achieved by business in recent years, has also been reflected in the list of delinquent and uncollectable debts at the banks and savings funds, which dropped another 78 billion pesetas. Business losses were thus seen to be below the levels preceding the crisis which began in 1973.

Now that the December figures are available, the provisional data sent to the INE by the Spanish jurisdictions show that throughout all of 1986, there were 205 suspensions of payments and 79 bankruptcies in Spain, this periodical learned from that institute, which has announced that the final figures will be published toward the middle of next month. Both figures, especially the first, came to about half the figures for the preceding year, which had also shown a similar drop from the 1985 fiscal period.

The decline in economic losses, which began an annual slowdown in pesetas up to 1982, became obvious both in the number of suspensions and bankruptcies and in their economic volume.

The properties or assets involved in suspensions of payment--72,748,000,000 pesetas--were down 44.8 percent from the figure for 1985, while the debts or liabilities of those enterprises--45,908,000,000--dropped 45.3 percent.

The 79 bankruptcies last year involved assets totaling 4,402,000,000 pesetas, 38 percent less than in 1985, while the 6,652,000,000 in liabilities involved showed a decline of 50 percent from the figure for the preceding year.

#### Lack of Liquidity

The most frequent among the causes of the suspensions of payments continues to be the lack of liquidity, as noted by 68 percent of the enterprises which

submitted their books to the courts, both in 1985 and 1986. While this phenomenon has been a constant in recent years, the second most important cause in 1986, limited demand, accounted for 15 percent of the total. The clearest decline was caused by low productivity.

In terms of sectors, the largest number of suspensions, which had been in trade (136 in 1985 and 55 in 1986) shifted to manufacturing industry (111 and 63, respectively). The most significant declines were in the financial sector (from 36 to 7 enterprises), mining and chemistry (from 31 to 6), agriculture (from 11 to 1), and other services, while the suspensions in construction, metallurgy and communications only declined by half.

Discounting inflation, the liabilities involved in suspensions of payments and bankruptcies have now dropped to levels clearly below those of 1973. The banks and savings funds have a balance of delinquent and uncollectable credit of approximately 700 billion pesetas, although this figure had already declined by 49 billion pesetas in 1985 and dropped again by 78 billion in 1986. The banks account for about 70 percent of this balance.

#### Suspensions of Payments and Bankruptcies in the Last 5 Years

	1982	1983	1984	1985	1986
Total suspensions	893	841	814	459	205
Cause					
Lack of liquidity	598	573	589	314	140
Limited demand	159	125	100	72	32
Low productivity	28	25	23	15	1
Other	108	118	102	58	32
Assets (millions of pesetas)	292.729	291.221	235.874	162.233	72.748
Liabilities (millions of pesetas)	189.183	170.496	131.963	101.333	45.908
Total bankruptcies	152	159	165	136	79
Category					
Voluntary	48	49	48	51	-
Judgment	27	25	24	18	-
Suspension	63	73	87	55	-
Flight or concealment	10	5	2	7	-
Nonfulfillment	3	5	3	3	-
No proposal	1	2	1	2	-
Assets (millions of pesetas)*	8.357	26.630	10.831	11.578	4.402
Liabilities (millions of pesetas)*	11.056	18.913	20.278	13.228	6.652

\* Amounts for some bankruptcies were omitted because the data was unavailable.

Source: National Statistics Institute

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## 1986 EMPLOYMENT, UNEMPLOYMENT STATISTICS

Madrid EL PAIS in Spanish 22 Feb 87 p 46

[Text] Madrid—The total number of wage earners increased last year by 393,500, according to the most recent data of the National Institute of Statistics (INE). Total employment did not increase as much because the number of self-employed businessmen and workers declined for the 3rd year in a row, by 45,900. The work force survey (EPA) for the fourth quarter of 1986 also revealed that the decline in unemployment shown in the new statistics for the entire year, the first such decline since the crisis began, was largely due to the drop in joblessness in Andalusia and Extremadura.

The most recent EPA shows that during the fourth quarter of last year there were 7,799,500 wage earners in Spain, up more than 5 percent, 393,500, over the same period the year before, if we compare the numbers with the statistics that the INE revised retroactively in the middle of the year. Without these changes (that is to say, comparing the figures published a year ago with today's numbers), the increase in the number of wage earners would still have been over 100,000.

Although the change in the statistical criteria was announced after last summer, which enabled the INE to avoid publishing an unemployment figure of over 3 million before the last legislative elections, this general directorate of the Ministry of Economy and Finance subsequently made public the revised data from the fourth quarter of 1985 in accordance with the new criteria.

## Definitions of Unemployment

With the new figures from the fourth quarter of 1985, EPA-estimated unemployment declined in 1986 by 56,300 persons. This number contrasts starkly with the increase of 170,300 found in the files of employment offices, to judge by the statistics of the Labor Ministry, in which restrictive criteria for regarding a job-seeker as unemployed were also introduced as of 1985.

The two modifications have almost leveled out the jobless figures published by the Labor Ministry (2,901,800 at the end of 1986 and 2,972,284 last January) and by the INE (an average of 2,943,500 during the fourth quarter of 1986).

The similarity will not last long, however, because the INE is preparing to use even more restrictive definitions of unemployment as of its next EPA.

The table below show the changes in estimated unemployment in the autonomous communities. One column reflects the INE's retroactive revision as of the last quarter of 1985, and the other uses the data published a year ago as its base.

The main observable differences are that in the first instance (with all of the data revised) unemployment has increased much less in Andalusia and Extremadura, where the unemployment benefits systems and the definitions of joblessness have changed the most in recent years.

Unemployment in the Autonomous Communities, According to the New and Old Statistics (in Thousands of Persons and Percentages of the Work Force)

<u>Community</u>	<u>1985</u> <u>(New)</u>	<u>1985</u> <u>(Old)</u>	<u>1986</u>	<u>Difference</u> <u>From New</u>	<u>Difference</u> <u>From Old</u>	<u>1986 Rate</u> <u>(New)</u>
Andalusia	658.3	597.5	678.1	19.8	80.6	31.29
Aragon	73.3	70.7	68.1	-5.2	-2.6	15.2
Balearic	35.5	39.2	40.8	5.3	1.6	16.56
Canaries	128.5	142.7	137.2	8.7	-5.5	26.45
Cantabria	31.4	30.5	34.1	2.7	3.6	18.24
Castile-La Mancha	88.7	76.3	89.5	0.8	13.2	15.89
Castile- Leon	170.3	150.2	165.3	-5.0	15.1	17.75
Catalonia	499.7	519.3	487.6	-2.1	-31.7	20.99
Valencia	271.5	281.9	260.1	-11.4	-21.8	19.24
Extremadura	99.0	80.9	101.1	2.1	20.2	28.09
Galicia	154.1	148.7	154.6	0.5	5.9	13.33
Madrid	403.7	414.3	332.3	-71.4	-52.0	18.63
Murcia	63.9	60.3	70.0	6.1	9.7	20.64
Navarre	38.2	35.7	35.5	-2.7	-0.2	18.32
Basque Country	188.7	192.7	193.2	4.5	0.5	23.51
Asturias	79.0	78.6	82.3	3.3	3.7	19.65
La Rioja	15.3	14.3	13.5	-1.8	-0.8	14.58
Total	2,999.8	2,934.0	2,943.5	-56.3	9.5	21.17

Source: INE data on the last quarters of 1985 and 1986.

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## OVERSEAS INVESTMENT UP IN 1986

Madrid EL PAIS in Spanish 26 Feb 87 p 57

[Excerpt] Madrid--Direct Spanish investment overseas (shares in companies) rose to 66.85 billion pesetas last year from 43.81 billion in 1985, according to data published yesterday by the Ministry of Economy and Finance.

The official information emphasizes that investment has become further concentrated in the Western industrialized countries, most of all in the EEC. Investments in France account for 11 percent of the total and in Portugal, another 9 percent, as many Spanish companies apparently want to centralize their overseas operations in neighboring nations.

Outside the EEC, the weakening of the dollar seems to have stimulated Spanish investment in the United States, which rose from 5.561 billion to 13.332 billion pesetas.

Financial institutions absorbed exactly half of direct Spanish investment, whereas in 1985 they accounted for 58 percent. Commerce (especially with the United States), manufacturing industries and agribusiness were also important on a secondary level.

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## CONTRACTORS TURN TO USSR, AFRICA WITH COLLAPSE OF MIDDLE EAST MARKET

Istanbul DUNYA in Turkish 2 Jan 87 p 3

[Article by Nurhan Yonezer]

[Text] Ankara--The collapse of the Middle East market resulting from the war in the gulf and the fall in oil revenues has left contracting firms that do business abroad in a difficult financial situation. While, with the exception of the Enka Company, no contracting firms have obtained new jobs abroad this year, these countries' inability to meet payments have further exacerbated the contracting firms' problems. Contracting firms, which are searching for new markets because of these developments, are preparing to do business with the Soviet Union and, at a later date, with Morocco. If an agreement between Turkey and Morocco is reached, Turkish contractors will work in exchange for citrus fruits and phosphate rock.

Turkish Union of Construction and Industrial Installations Contractors Second Chairman Cemil Cudi Eke reported that Enka won the bidding to build a dam and that, other than this, no other new contracts have been obtained in 1986. Eke noted that the shrinking of the Middle East market has hurt contractors financially, but that their complete withdrawal from the Iranian and Iraqi markets is not being discussed. He added that they hope to maintain good relations with these two countries and, in addition, are seeking new markets.

Union of Contractors Second Chairman Eke related that a decision has been reached to cooperate with the Soviet Union in the area of contracting services as the first step in the search for new markets and said:

"An agreement to build five tourist hotels in the Soviet Union has been made, and discussions on details to determine how these projects will be carried out by Turkish contractors are being held. Because operations in the Soviet Union are very different from those in western nations, contacts are being made with firms in Finland and Sweden that have worked there previously. For example, we lack information on the procedures for procuring laborers and materials. If Turkish contractors prove to be successful in these initial projects, we will obtain a consistent, excellent market in the Soviet Union."

## Morocco Market

Eke asserted that, in addition to the Soviet Union, a new market may be developed in Morocco. He said:

"Last November during a trip to Turkey, the Morocco minister of equipment and cadre training expressed an interest in work done by Turkish contractors both in the country and abroad and its minister of housing invited Turkish contractors to conduct work in Morocco. Although Morocco does not have a great deal of foreign currency, it was stressed, during talks, that Turkish contractors could operate in exchange for citrus fruits and phosphate rock. We believe that final decisions on this topic will be made within the next few days."

Second Chairman Eke also reported that new markets are being sought in countries such as Malaysia and Indonesia as well. "We are not, as yet, assured of new markets," he said, "but we continue to search out markets with great urgency."

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## OFFICES ESTABLISHED TO EASE TRANSITION TO PRIVATIZATION

Istanbul HURRIYET in Turkish 2 Jan 87 p 4

[Article by Hulki Cevizoglu]

[Text] Ankara--A new "modus operandi" has been instituted to privatize state enterprises. Work on privatization has taken another step forward with the decision to sell KIT [State Economic Enterprises] to the public and to the private sector and then to sell state shares as done in private corporations. The Office of Mass Housing and Public Corporations was also established. With the new decision, which has the force of law, three important ministerial offices--Foreign Relations, Finance, and Implementation--were created to foster a smooth transition toward privatization.

The duties of the three new offices established by the decision, which has the force of law, are:

1. Foreign Relations Office Directorate: This office will be concerned with sales procedures of shares in foreign countries. It will study privatization efforts in other countries. It will make necessary contacts with foreign auditing firms.
2. Finance Office Directorate: This office will be responsible for the revenues obtained from the sale of shares. It will make proposals for the rational use of money collected by the Mass Housing and Public Corporation Office. It will take measures in order to ease the transition to a capital market.
3. Implementation Office Directorate: This office will work to solve technical and financial problems that may be created by the sale of shares. It will conduct planning studies with privatization groups to be formed within the KIT as directed by law.

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## INDEXES SAID NOT TO REFLECT TRUE INFLATION

Istanbul HURRIYET in Turkish 1 Jan 87 p 20

[Article by Oz Dukman, possibly a pseudonum]

[Text] Confusing, contradictory inflation rates cited at the beginning of each month and at the end of the year have today become "index puzzles."

The ordinary citizen is bewildered when he sees prices of absolutely everything take off like a rocket--not over a year, but within a few months--and cannot help but ask himself, "I wonder if there is anyone in Turkey who calculates inflation correctly. Officials assert that inflation has fallen. Prices conflict with these statements. This resembles a riddle. We can only ask what part Satan plays in this."

When the man-on-the-street goes shopping and sees his wallet emptying out, he has long since figured out the true inflation rate for 1986.

No matter what the experts say, for the common man, the inflation rate is 55 percent.

There is another side.

It does not matter if Ozal, ministers, the ITO [Istanbul Chamber of Trade], or the DIE [State Statistical Institute] claim that inflation has fallen below 30 percent and will be 20 percent in 1987. The ordinary citizen is already aware of the price increases that will whip up like the winds of a storm as soon as the new year opens.

And, it is consciously believed that price hikes in 1987 will reach 55 percent. Istanbul University Faculty of Economics Prof Dr Yuksel Ulken pointed out that the people do not concur that "inflation has fallen" and evaluated the 1986 inflation rate, saying:

"The government and official organizations state that inflation is below 30 percent, based on indexes. In my opinion, it is no lower than 55 percent. Those who made those calculations probably never shopped. Those in organizations that have the function of producing indexes have a way with

justifying their results. Yet, when the ordinary citizen goes marketing and looks at the price increases over the past year, he understands how much more expensive everything has become. The people do not believe that inflation is declining. To the contrary, they believe that price increases in 1987 will surpass those of this year. It was said that inflation had fallen, and then deposit interest rates were lowered. However, interest rates fall first, and inflation follows. Ozal lowered interest rates in order to give the impression that inflation had declined. Expect, in 1987, an explosion in demand for durable consumer goods."

Istanbul University Faculty of Administrative Science Asst Prof Ilhan Erdogan noted that price increases for basic foodstuffs remain below 30 percent and said:

"In contrast, prices for raw materials and durable consumer goods rose more than 55 percent. I can even say that the cost of a television set doubled. It was the same for automobiles. At the same time that they continue to say, 'Inflation is under 30 percent,' they raise prices for KIT [State Economic Enterprises] products 45 percent. The same holds true for Petkim [Petro-Chemical Corporation] products, for iron and steel products, and so forth. The most significant indicator in a nation of anticipated inflation is an excessive rise in demand for durable consumer goods. The people believe that there will be, in 1987 as well, an extremely insidious rise in the cost of nearly every item purchased. As a result, the psychological value placed on money by the people is gradually diminishing. One cannot find a 100-lira note on the market."

#### Indexes Do Not Match Wallets

To officials, this view is incorrect. However, when the common man goes shopping at the market and finds that meat is 86 percent more expensive than it was last year, milk 57 percent higher, chicken 70 percent more costly, and soft white cheese and various necessary foods 60 percent more expensive, this means the money in his pocket has shrunk in half. For the ordinary citizen, what is important is not the viewpoint of officials, but the rate at which that in his wallet is being eroded.

Let us look in the windows of stores in various districts. Let us try to find the same price that we paid last year on labels in markets, clothing stores, and shoe stores and for rentals advertised in newspapers.

White cheese was 1,000 liras at the beginning of the year. Today, it is 1,600 liras. Sharp cheese went from 1,800 liras to 3,200 liras. Even olives, regularly served at our tables, are no longer 1,000 liras, but are 1,600 liras today. A package of matches, which no pocket can do without, was 130 liras and is now 200 liras. In some places, one package costs 250 liras. And what about tomato paste? Margarine, vegetable oil, soap, rice? Nearly everything is at least 50 percent higher than it was at the beginning of 1986.

And price increases for durable consumer goods? Let Association for the Protection of the Consumer and Retailer Chairman Ziver Zilli explain. He stated, "Invoices say it all. Video equipment is 60 percent higher; color



TV's, 70 percent. These types of goods sold legally are more than 65 percent higher than at the beginning of the year. The Chamber of Trade asserts that inflation is around 28 percent. We do not know how this figure is calculated. And, when the ordinary citizen goes to the store and looks at prices, he sees that goods have risen 70 percent on the legitimate market this past year and views with skepticism official organizations' indexes."

It is not much different for clothing and health services. Turkish Union of Dentists Second Chairman Dr. Cengiz Ozyalcin said, "In one year, the cost of dental care rose a minimum of 50 percent. According to the official price schedule, a set of false teeth is 120,000 liras, but some dentists charge a million liras." The average increase in the price of pharmaceutical drugs is over 50 percent.

Istanbul Chamber of Industry member Orhan Dogruol stated, "Prices of men's and women's clothes rose by not less than 65 or 70 percent during the year. As for rents, they are rising astronomically."

#### Seeking the Truth

Let us look at the opinions of experts and officials. ITO Chairman Nuh Kusculu talked about the problem of the "index puzzle," saying, "We use 1963 as a base year for our index. This is outdated. We are spending 80 million liras and working jointly with the Faculty of Management to update indexes every 4 years. First, we used the budget of a typical family. In future years, we will determine price increases using an index based on this new model." Another expert from the ITO stated, "We must not confuse indexes with research on prices. Price indexes are calculated by establishing the weight of every expenditure in a family's budget. According to the ITO, wholesale prices rose 28.3 percent; consumer prices, 36 percent."

Istanbul University Faculty of Economics Asst Dean and Asst Prof Dr. Fuat Celebioglu had this to say:

"In Turkey, consumer-price indexes are prepared by the ITO and the DIE. In fact, they should be established by a standing committee composed of representatives from the DIE, Union of Chambers, and Turk-Is [Turkish Confederation of Labor] and faculty members selected by universities. This committee should operate in a manner meeting international standards and using goods considered to be basic."

If it does so, the index will be objective and will reflect reality. If not, we cannot avoid contradictions."

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## RESERVISTS CONDUCT JOINT FRANCO-BELGIAN COMMAND POST EXERCISE

Brussels VOX in French 4 Dec 86 p 6

[Article by E. Broekx; first paragraph is VOX introduction]

[Text] Some 500 reserves answered a 10 November call-up to take part in a French-Belgian exercise, dubbed Chazal-Faidherbe, on 18-20 November. The command post exercise for the Territorial Defense Force brought French and Belgian units into play.

The exercise was named after generals Faidherbe and Chazal. The French General Faidherbe commanded the armies in northern France in the Franco-German war of 1870. In the same conflict, General Chazal (former minister of war) was commander in chief of the Belgian observation corps along the eastern and southern frontiers of our country.

#### The Objective

The Chazal-Faidherbe exercise had two objectives: implementing draft agreements between Belgium and France intended to assure the mutual defense of the two countries by cooperative tactics, exchanges of liaison officers, establishment of signals, exchange of intelligence, mutual assistance in logistics, and shared responsibility for refugees; and controlling the organization and operations of chains of command and intelligence, as well as their associated means of transmission.

In addition, there were two specifically Belgian objectives: implementing the organization of Belgian territorial defense forces; and bringing provincial regiments into play in the execution of an exercise under the Franco-Belgian accords.

#### The Theme of the Exercise

The action took place during a conflict that had been threatening since 10 October.

A period of tension between the countries of the western Azure alliance and those of the eastern Vermilion alliance led progressively to placing the French and Belgian territorial defense forces on war footing. Border incidents led the French and Belgian troops to cooperate to neutralize and destroy special enemy infiltration teams.

#### Conduct of the Exercise

The exercise had two phases, one conducted by the Belgian territorial defense forces, and the other by the French 21st Territorial Military Division [DMT].

The Belgian troops called up on 10 November at Leopoldsburg left on 17 November for their position for the exercise, which took place on 18-20 November.

#### Participants

On the French side, those involved included the staff of the 21st DMT, the arms and service sector commands, headquarters of the 243d RIAD (Divisional Interarms Regiment) and the 33d RCD (Divisional Command Regiment), the departmental delegate from Nord, and liaison detachments for Tervuren, Bruges, and Namur and for the Gendarmerie.

On the Belgian side, participants included the commander and staff of the Belgian territorial defense forces, the staffs of the regiments of the provinces of West Flanders and Namur, their company headquarters and service sectors, the staff of the province of Halhaut, the staffs of four tactical battalions, and a large number of territorial liaison officers.

The staffs of the two provincial regiments and their service sectors, as well as the staffs of the four tactical battalions, were composed solely of reserves. Since it was a command post exercise, very few units were deployed on civil terrain.

#### PHOTO CAPTIONS

1. Several high ranking officers participated in the press conference for the Chazal-Faidherbe exercise. From left to right: the Belgian Major General Genotte, assistant commanding officer for the Belgian territorial defense forces; Lieutenant General Morisot, inspector general of Territorial Operational Defense (DOT); Major General Farret, regional commander, and Brigadier General Lacapelle, reserve adjutant.
2. General Dentin, Commander of the 21st DMT, director of the exercise for the French Army.

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## TERRITORIAL DEFENSE ROLE PROPOSED FOR AIRBORNE TROOPS

Bonn TRUPPENPRAXIS in German Jan 87 pp 48-50

[Article by Col Roland Mueller: "Paratrooper Force in the Nineties"]

[Text] A problem which has been confronting NATO since its beginning is the existing numerical imbalance between the ground forces of the Warsaw Pact and those of NATO in central Europe. Whether the MBFR negotiations will lead to an improvement of this situation in the future cannot be predicted. Since this situation is as it is, a possible countermeasure is the use of every opportunity to create a certain balance by increasing the mobility of the army. In this connection, air mobility including the paratrooper force naturally plays an important part.

In the army structure, paratrooper force 4 is basically organized into three brigades and intended for use at the disposal of the corps troops. If it is used in airborne operations--in line with its nature--it is transported into combat by helicopters of the army aviation troupe. In addition to hand weapons of the paratrooper force its equipment with 20-mm field guns, mortars, and antitank guided rockets MILAN and TOW should be mentioned. For transporting its weapons and ammunition after landing the airborne force has the power cart "KRAKA" which can transport helicopters. However, it does not have an armored combat vehicle. Nor will the planned introduction of the airborne vehicle "WIESEL" change this situation.

The paratrooper force has two particularly strong features:

- It can be deployed over longer distances (particularly from around 80 km and more) faster than any other combat unit.
- It has a very strong infantry.

However, we cannot overlook its weaknesses:

- It has very little mobility in combat against a mechanized enemy.
- It is dependent on terrain which is suitable for infantry.

Conclusion: The deployment of the paratrooper force is inexpedient exactly in that location where mechanized enemy forces will concentrate their attack and where a crisis is therefore most likely to develop. Thus, the paratrooper force is not suited for a rapid formation of antitank concentrations which is what matters for a corps reserve.

How can the strengths of the paratrooper forces be used to advantage? First a brief glance at the threat to the rear areas. To a considerable extent, this threat comes mainly from the strong airborne forces of the Warsaw Pact forces. In the army structure 4 the home defense brigades were created in particular to be able to meet this threat. However, two questions come to mind here.

--How quickly and how urgently can we expect requests from the NATO commanders to place under their command the home defense brigades which are extremely well suited for combat against the mechanized enemy in order to fulfill their mission of forward defense?

--Considering the vastness of the rear areas will the few home defense brigades always arrive on time at the location of an enemy air landing in order to still be able to prevent the airborne enemy from fulfilling his mission?

How would it look, however, if the assignment "fight against enemy air landings in the rear areas" would be given to the paratrooper force?

--Just as the battle tank is generally the best defensive means against battle tanks, the paratrooper force is undoubtedly best suited for combat against an airborne enemy.

--The paratrooper force can certainly be deployed most speedily against an enemy air landing, particularly with the potentially large distances in the rear areas.

This would bring two advantages:

--The paratrooper force is better suited for combat against enemy air landings in the rear areas than the home defense units. It would get an assignment commensurate with its particular strengths.

--The home defense brigades would be relieved from an assignment for which they are not optimally suited and could receive an assignment in the forward defense for which they are much better suited.

The following conclusions with regard to organization and equipment would have to be drawn from such a change in assignments:

--The defense of the rear areas is the responsibility of the territorial army. Therefore, the paratrooper forces would have to be assigned to the territorial army.

--It would make sense to place them directly under the territorial commands.



--Airborne engineers could be omitted. The change in assignments would remove the reason for their deployment in the army structure 4--their assignment "to strengthen the terrain in order to improve the antitank capability of the airborne brigade".

--The fire support function of the paratrooper force would have to be strengthened, either by increasing the airborne mortar forces or the creation of airborne artillery. This strengthening would be necessary, since an independent deployment against air landings in the rear areas would remove the present division fire support provided with the deployment of an airborne brigade at the front of this division.

--One would have to consider equipping the paratrooper force with the long-range antitank guided rockets TOW. The paratrooper force in the 4th army structure was equipped with this antitank weapon so that it would be able to fulfill its "antitank defense" assignment. For the antitank tasks which are to be expected in case of enemy air landings the antitank guided rocket MILAN would be the suitable antitank weapon and would be sufficient for these tasks.

It is obvious that together with the organization of the paratrooper force the organizational assignment of the transport units of the army aviation forces would also have to be considered (leaving the medium-size army aviation transport regiments at the corps level or placing them under the territorial commands. If the medium-size transport helicopters are combined in the two territorial commands NORTH and SOUTH the transport capacity available for a wave could be increased by 50 percent, compared with the capacity of each corps today, a considerable advantage.

While a different assignment for the paratrooper force would not be able to increase the mobility of this force, its present mobility which is very high already could be used better to accomplish the mission of the army.

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## LOCAL HARASSMENT OF MANEUVERS, LOW-LEVEL OVERFLIGHTS PLANNED

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 14 Jan 87 p 14

[Article by Jochen Lange of work and Study Center "Militaer, Oekologie und Planung [MOeP] e.V., Dortmund: "Where There Is a Balloon in the Sky, No Jet Will Make a Low-Altitude Flight: Work and Study Center 'Military, Ecology and Planning' Is Calling for a Demilitarization of Nature--Out of NATO?"; First paragraph is FRANKFURTER RUNDSCHAU introduction.]

[Text] To date there has been an almost fallow area of politics between the subject complexes peace and environment, so amply discussed of late: the militarization of nature. And although the problem is serious enough in the FRG--nowhere else in the world is the degree of militarization in terms of its relationship to the area and the population density as great as it is in our country--it is largely ignored by politicians, scientists and the extraparlimentary movement. The military load, from the use of the land to the low-altitude flights, affects almost exclusively the communities "in the country." There are neither representative-democratic nor judicative possibilities for citizens to exercise codetermination against military necessities. "Only the communalization of peace policy offers an approach for beginning the demilitarization of nature at the lowest level possible," says a proposal by Jochen Lange from the Work and Study Center "Military, Ecology and Planning," who in his study "Military and the Environment--On the Necessity of Tilling a Fallow Field" also considers a possible withdrawal from the military integration of NATO to be conceivable. In addition, the author advocates the establishment of communal offices for peace and the environment. In the following, we present in a slightly abridged form the paper of the Work and Study Center "Military, Ecology and Planning" for discussion.

The relationship between the subjects peace and environment can best be described as the overlapping zone of two intersecting circles. This overlapping zone becomes larger or smaller depending upon the degree of militarization and/or adverse environmental effects. In terms of its area and population, the FRG has the greatest density of militarization in the world (whereby the following views do not take into account such militarization factors as ideology, military training, structural authority, state budgetary policy, etc. that are also designated as "software." In addition to military sites, training areas, and weapon and ammunition depots, it is military transportation and accidents, maneuvers and exercises, and low-altitude and

supersonic flights that characterize the scope of militarization. If this entire apparatus were stationed in a sandy desert, there would be no military/environment problem. Because of its industrialization density and--in comparison to the United States, for example--tiny national territory of 248,000 square kilometers, however, the FRG is among those countries that have to put up with a high environmental load in the civilian area alone. The additional load on the environment caused by the military exacerbates the situation: in no other country on earth is the military/environment problem field so aggravating and in need of a solution. It is therefore all the more surprising that this problem field lies almost idle in politics, science and the extra-parliamentary movement.

The citizens' initiatives concerning low-altitude flight could only shake their heads over the decision of the SPD party congress in Nuremberg in the fall of 1986 that called for the "introduction of a flight altitude of at least 300 meters over ground, the abolition of the existing low-altitude-flight regions (150 meters) and the rejection of the planned very low-altitude-flight regions (75 meters)." When the cow ventures out on the ice: according to the official phraseology that the SPD parliamentary representatives are also going along with in the defense committee, there are regions for "very low" flight only in Labrador in Canada. There are no "plans" for 75-meter regions; they already exist in seven so-called "areas" introduced by a Federal Government led by the Social Democrats. The already "existing regions for low-altitude flight (150 meters)" are nothing other than two-thirds of the area of the FRG, over which low-altitude flights are fundamentally allowed. And the "introduction of a flight altitude of at least 300 meters above ground" would mean the abolition of low-altitude flights--why not right away?

The helplessness of the program of the large opposition party corresponds to the zeal of its military experts; almost unnoticed, the SPD parliamentary group is demanding a so-called "rotation model," according to which the FRG is to be divided into 49 areas (75 meters) over which low-altitude flights are to be allowed periodically. This model, originally endorsed by the Ministry of Defense, has since been withdrawn by the Federal Government because of substantial protests from the population (and some of the Lands). The SPD now wants to unearth the plan once again.

#### "Peace Institutes"

And science? "Communal peace research" is what a branch calls itself that, strictly speaking, is still just a dry twig getting no vital sap from the trunk of recognized sciences. Some small groups that arose from peace initiatives or the work teams of renowned organizations have declared themselves to be "peace institutes," with meager financial resources, small numbers of personnel and a huge work order:

--Work and Study Center Militaer, Oekologie und Planung (MOeP), e. V., Dortmund

--Regional Conversion Project, Kaiserslautern

- Frankish Educational Enterprise for Peace Work, Nuremberg
- Research Center for Communal and Participatory Peace Policy, Starnberg
- Institute for Ecology and Peace, Fulda.

Also included is the Research Institute for Peace Policy in Starnberg headed by Alfred Mechttersheimer, the publications of which also consider the subjects military and the environment.

Otherwise, radio silence prevails in the peace and ecology institutes that are formally independent of the state. Research contracts cost money and this money is not flowing, if one disregards the ecology funds of the GREENS. When the Freiburg Ecology Institute presented a literary documentation "Umweltzerstoerung durch Militaer" [Environmental Destruction By the Military] in 1983, the authors reported on a "white spot on the map of environmental science" and on their difficulties in "assembling watertight facts on the ecological price of armament."

The interest of the large peace and ecology organization is adapted to the standard of politics and science: the subject area military and the environment is foreseen neither strategically nor in action planning. This applies to all 30 organizations that make up the Bonn coordinating committee of the peace movement. Even the Federal Association of Citizens' Initiatives for Environmental Protection (BBU), actually predestined for it, can no longer show a functional work group for ecology and the military after a large part of its employees abandoned the BBU a few years ago (because of "social democratization"). Also astounding is the disinterest of the groups opposing war service in the increasingly urgent question of conscientious objection based on ecology.

The political defeat after the deployment of the missiles, for which one must in part blame himself because of the strict nuclear fixation, has set things into motion in many circles of thought in the peace movement. The call for a "communalization" of the peace work became clearer, which is equivalent to the insight that the daily militarization does not take place in Bonn but where the military is--in the country. Nevertheless, the Bonn board of directors of the peace movement was not yet ready to take the step from self-presentation to political effectiveness and stuck with the former. The large Hasselbach demonstration in the fall of 1986 was not, as has often been claimed, a turning of the peace movement to communal peace policy but the grafting of an inadequate form of action (large demonstration) with an inadequate limitation to a single aspect (nuclear weapons) and a fundamentally correct place of action (Rhineland-Palatinate military base). The nature and scope of the cooperation with the police and regional state authorities (just a few years ago, as "police talks," an explosive matter in the BBU) also made it clear that the Bonn peace officials were most concerned about consoling and comforting their own adherents and not about political efficiency.

Because of its overall function for different subjects and because of its regional and municipal anchoring, only the Association for the Environment and Nature Conservation in Germany (BUND) appears to offer an organizational framework for antimilitaristic-ecological work. But the few groups in BUND working in this connection are all manned by Bundeswehr officers, whose task

is to make ecological action in the Bundeswehr palatable , as long as it does not run counter to the defense mission. The exhibition Bundeswehr and Environmental Protection now touring Bundeswehr garrisons was largely put together by BUND members. Thematically it is a matter of caring for ecological niches (e.g. breeding grounds of birds in training areas) under the cloak of military necessities. Such a political (unpolitical) approach, which appears set for a long time in BUND, cannot be a basis for a serious reduction of environmental destruction by the military.

In many ways, the protest movement against the noise of military low-altitude flights is an exception. Without ever having achieving big headlines, initiatives and action forms that are not at all typical for the stepchild military and environment have come into being all across the republic in recent years. Meanwhile--initially limited to a small region in which a low-flying jet once crashed or in which a frequent training target is located, later in contact with nearby communities in the "area" and then with other parts of the country--loose coordination structures have developed at the communication level. Inevitably, certain initiatives have turned out to be opinion-forming and, because of the experience and the personal commitment of their members, are considered to be competent "bases" in other areas as well. But the place-names are not Frankfurt, Hamburg or Bonn but Achim, Badbergen and Stade in the north, Biebelnheim, Sensbachtal and Gossersweiler in the middle of the republic, and Kirchheim and Markt Berolzheim in the south. One should give an official of the peace and environmental movement the task of locating these places....

The basis for the existence of the low-flight initiatives is not, as in many other areas, an organizational structure for one or more political organizations that make available their apparatus (office, typewriter, conference room, etc.) and all too frequently make use of "serious" citizens as eye-catchers for their own interests. The low-flight initiatives are still largely characterized by primitive manual labor, engaging helplessness in the establishment of associations, and a need to learn in public relations and preparation for action. On the other hand, the stable small structure in the rural area, where the attorney's wife sits on the board next to the head physician of the district hospital, ensure a substantially more intensive work capability than the unreliability of big-city protest politics dependent upon trends.

No one can predict the extent to which the principle of "decentralized stubbornness" will be able to prevail against the seductive ways of experienced political groups if the theme of military low-altitude flights becomes even more "attractive." It would not be the first time that large political and social organizations have embraced a subject to death because it happened to be "in" at the moment and in the next moment did not even have time for the funeral repast because the next theme had already appeared on the horizon. The initiatives against low-altitude flights will have to pay close attention to their "friends."

There is no political conformity in the initiatives. The minimal consensus commonly supposed for a reduction in the noise stress does not play a role similar to that previously played in the Krefeld Appeal in the peace



movement. Certainly political differentiations can be ascertained in view of personal relations of individual activists to the SPD (reform of NATO, fairer distribution of low-altitude flights), to the Greens (abolition of the low-altitude flights), and to the new St. Florian of German politics, Richard Stuecklen (CSU), who God knows would do everything possible if the noise over his own election district in Franconia were to disappear. Furthermore, the DKP has not discovered the realm of low-altitude flights and that may not change.

An extraordinarily important mark of the initiatives against low-altitude flights is the consciousness steeled in long discussions of no longer being able to trust the bewitching music of the state authorities. At the low-flights hearing of the German parliament [Bundestag] in June 1986, the CSU mayor of the town of Wassertruedingen (in the Bavarian Area 7) described the "pent-up helplessness" of his citizens, who felt like "second-class people." The time of requests is over, demands must now be made. He has to see, says the mayor, "how our otherwise loyal citizenry is even questioning the need for defense."

Soothing statements from Bonn to the effect that there is no danger to health from the noise of low-altitude flights are now just as fruitless as the often-raised danger from the "green system-changers" who were stirring up the people with "acts of violence." The balloon actions are "attempts at murder" (according to a high officer in the air force). Today the GREENS themselves are amazed at what elements of the population are taking part in balloon actions, are putting up with fines, and are letting helium balloons rise to a height of 100 meters. The military then usually pulls back. Where there is a balloon in the sky, there are no low-altitude flights.

#### Senseless Nuclear-Free Zone

As diverse as the protest against the militarization of nature may be in individual cases, the overall palette of activities for the demilitarization of the environment is very narrow. The *modus operandi* assigned to the sovereign, that is, to the people, in a representative democracy does not function in the matter of the military and the environment; from the lowest level, the municipal parliaments, to the Bundestag, all representatives of the people must experience the fact that there is still a higher authority that can simply abrogate decisions that effect the military area or that can simply declare the relevant parliamentary bodies to be "incompetent." The many small zones free of nuclear weapons in the FRG were never anything more than pastimes for peace activists.

Military-policy decisions at the level between the Ministry of Defense in Bonn and NATO put the communities in a permanent position of being incompetent.

The first precondition making it possible for lower political organizations--which have to bear the entire military load in the nonwar situation--to have a say would be the decision of the Federal Government to establish that degree of sovereignty relative to NATO that all the other NATO countries already have. The FRG's own military obligations (e.g. size of the armed forces or the making available of the entire country as a training area) can be

rescinded by a parliamentary decision. Neither should one be deterred from the step of leaving the military integration of NATO; France and Greece have done this and have by no means become pacifist countries, as so many military people fear for the FRG in this case.

Without at this point being able to delve more deeply into the exceedingly interesting pro-and-con NATO discussion, the only possibility here seems to be in democratizing it by nationalizing the military policy of the FRG, that is, removing it from the anonymous-unassailable structures and strategies of the NATO headquarters with its sole reliance on military thinking and in making it available to representative democratic mechanisms once again.

A national military policy is certainly not a peace policy and the Bundeswehr is not a kindergarten. But why should it not be said that in maneuvers the Bundeswehr is less reckless than the NATO allies, that the Federal Air Force carries out fewer low-altitude flights than the NATO allies, and that--in individual cases--there are even Bundeswehr commanders who have taken the initiative in dispensing with measures that endanger the environment? This is unknown among the allied stationed forces of the United States, Great Britain, France, Belgium, Canada and the Netherlands.

A nationalization of military policy would also favor the second precondition for democratic codetermination at the communal level: the strengthening of environmental law relative to military law.

The attempt by citizens' initiatives and individuals, often even by local governments, to put through their positions against military claims "through legal means" has remained unsuccessful. Even in the case of indemnification of damages, the military generally acceded first, something that is at the discretion of the commanders and that is always refused when there is a fear of setting a precedent, as in the area of low-altitude flights.

Since 1982, public prosecutor's offices in the FRG have initiated 28 judicial inquiries on the suspicion of bodily injury through low-altitude aircraft and all cases have been dropped. Since April 1981, an action by the Darmstadt-Dieburg rural district [Kreis] has been on file with the Darmstadt Administrative Court "for an injunction against military low-altitude flights beginning at a certain sound level." The taking of evidence has not yet been completed. A well-known action against Federal Minister of Defense Woerner has meanwhile been "taken care of," just as have many other denunciations of citizens who experienced damage from low-altitude flights; in unsurpassed cynicism, public prosecutors and military people are in the habit of requiring that the citizens name the "opposing party" exactly: they demand the national markings of the low-altitude aircraft and the name and nationality of the pilot. How is a person hit by the sonic boom to come up with such information in a fraction of a second, assuming that he even looks up and can identify anything at all?

But neither can the military offices such as the air force office in Cologne do anything more to help: the pilots perform the low-altitude flights autonomously; at this altitude band, they fly with no radar accompaniment, that is, under "visual flight rules." There are no flight recordings. No one



knows when and where which pilot flew how low. Then there are the NATO jets that take off from home air force bases (among others, in Great Britain, the Netherlands and France), make a low-altitude flight over the hospitable FRG and then return home. An identification can be made only if the jet crashes.

Citizens' factual absence of rights relative to the principle of "military necessities" is further exacerbated through certain international agreements, behind which many government and military offices in the FRG are so fond of hiding. Even in the peace movement, to be sure, they smile at the special anachronisms of West Berlin (thus, every British officer has a right to a saddle horse paid for by German taxpayers; thus, a citizens' initiative has been fighting for years against a British firing range and is thereby being made a fool of in a classic manner: the British have forbidden the appeal to a Berlin court and a London court declares itself as having no jurisdiction because, in turn, the British city commander declares himself to be an organ of the German (!) Government but a suit before a German court is prohibited and there is no constitutional court in Berlin...) but for the FRG the fact of the military occupation is minimized or not accepted.

As a matter of fact, however, there are still some postwar treaties in force that give the Western allies special rights and take from the West German administration of justice the possibility of giving fair consideration to the interests of citizens relative to the military. One of the scales of justice includes, among others:

--the Germany Treaty that allows the victorious powers the United States, Great Britain and France to station troops in the territory of the FRG to "have a say in restoring German unity." The number and quality of the allied stationed forces can "be increased at any time with the approval of the Government of the FRG." Since reunification is a long time in coming, the treaty guarantees a lengthy occupation;

--the NATO troop charter obligates the "receiving states"--the FRG in this case--to provide the "necessary real estate as well as the pertinent installations and services." In a supplementary agreement, the Federal Government grants the NATO partners the unprecedented rights to undertake low-altitude flights.

In addition, the NATO allied stationed troops have special rights that the Bundeswehr does not have: the utilization of nature preserves and national parks in maneuvers is possible "as long as it is imperative for military reasons." It is up to the Federal Ministry of Defense to rule on this. Furthermore, NATO troops can devastate the same region at short time intervals, whereas the Bundeswehr must in each case wait 3 months. But in case the minister of defense should resist the wishes of the allies in regard to maneuvers, NATO strategists have come up with the following solution: the decision in this case is made by the NATO general secretary, who prepares an opinion as to "whether the planned maneuver or the planned other exercise is of paramount importance for the fulfillment of the defense mission of the field forces."

On the other scale of justice are the extremely slight hopes of the citizens for disarmament and demilitarization, even if it is only step by step. It is no wonder that the scales of justice are so out of balance.

A thick block is not yet on the scale: a Federal Government that has the self-confidence to revoke the Germany Treaty and the NATO Troop Charter. This is possible with a simple majority in the legislature body; neither agreement has a constitutional status nor does their revocation mean the automatic withdrawal from NATO (see France) or the often-raised "loss of influence" of the FRG on the world.

Only: the block does not even include all the Greens and the number of wobbly Social Democrats can be seen only with a magnifying glass. A Federal Government putting the necessary self-determination on the scale is not in sight and therefore all the unsufferable Sunday speeches on the high status of the "environment" are not worth the recycling-paper on which they were written. It is to be feared that the "Military" chapter will continue to be excluded from consideration in all draft bills on the better protection of nature and the environment. Environmental protection in constitutional law--the military-damaged population is not only damaged but ridiculed.

When traditional political mechanisms and the "course of law" do not offer any possibility of preventing the militarization of nature, the only thing left is the third approach: taking the problem solution in one's own hands. This does not mean the call to articulate the anger, which raises not only moral questions but also the equally important question of effectiveness. Taking it in one's own hands means the mobilization of political capacities without being fixed on representative-democratic and judicative action concepts.

The demand for the communalization of peace policy indicates the solution: it is not in the large cities but in the 6,000 small communities of the FRG where the argument will take place that will decide on the development of militarization in the coming years.

The military has established the initial situation: 403,000 soldiers of the NATO allied stationed forces (60 percent of whom are Americans) occupy the land of the FRG. In addition, there are just under 500,000 Bundeswehr soldiers and at least that many "civilian" employees in administration, supply and guard functions. 383 garrison training areas cover an area of 64,000 hectares and there are also 21 troop training areas, of which the largest in Lueneburg Heath measures 31,000 hectares by itself. The low-flight area of the FRG is covered from 66 military airfields. Generally unknown poison-gas depots represent a permanent threat to people and the environment.

Several attempts by various initiators to draw up an overall military-ecological load map for the FRG failed simply because the map would have to have a scarcely printable and marketable format to illustrate correctly the extensive communal militarization. This entire complex is located in the country. There is no tradition for political resistance here compared with the political culture in the large cities. As a rule, there is a system of personal and economic interdependencies between the military and local politics and the determining principle is that of arrangements. This mesh

need not deter communal peace work. Precisely the few examples of civic opposition to the military-ecological load show clearly that Sleeping Beauty can be awakened.

Decisive importance--besides a permanent nonpartisan structure of the supporting citizens' initiative--thereby falls to counterinformation. In the military-ecological area, counterinformation is above all basic information. It is not just Hardthoehe that is withholding specific information on the military utilization of land, the number of deaths in maneuvers or the number of crashes of low-altitude aircraft, for example. The garrison commanders also have orders to keep military activities and plans secret. Not even the local government is informed when a street or bridge considered to be militarily important is undermined with demolition shafts.

The procurement of information in the respective regions or communities is the precondition for counterpublicity but it is also the element supporting communal peace work. Thus the search parties for demolition covers in Hesse have become solid communal "bases" of the peace movement.

#### Charm of Incompetence

For communal peace work, the task remains of having to do its own information gathering and relaying and it has to do this against the attitude of refusal by the complex of the military and local politics. This task cannot be resolved in the style of a one-point citizens' initiative with the engaging charm of incompetence. What is required here is an organizational structure that is taken seriously in speaking for the entire area of the military and the environment.

What is proposed is the establishment of offices for peace and the environment, initially in the larger garrisons and later in the smaller communities that are under a military-ecological load. Current possibilities for decisions and reactions require a full-time staff and the provision with up-to-date office and communications equipment. The task of the peace and environmental offices is to be a permanent counter-annoyance, which can also include benefits such as being a consultation center for conscientious objectors and those performing civilian duty.

The peace and environmental offices can be supported financially when, for example, the Green ecological funds recognize them as worthy of support. A convergence factor, which is what a communal peace and environmental office doubtless represents, may very well also be attractive enough to the local peace, environmental and youth groups for financial and material support.

Here one should not fail to appreciate the difficulties in the organizational support as well as in the fundamental principles (which are to be judged differently from community to community). Many well-intended projects have failed because of internal discord. But the chance that lies in the project of the peace and environmental offices does not need to remain hidden: quiet counterpublicity is a substantial measure of political quality.

Mechtersheimer is certainly too optimistic when he thinks: "When the citizen learns in its entirety the threat to which the prevailing 'security policy' has been perverted, he will take away the legitimation for this policy." The military necessities are too firmly anchored in the taboos of the West German consciousness for information itself to be able to break down the taboos. This path is longer than in all other areas of politics.

It is precisely for this reason that the concept of communalization of peace policy is in a position to scratch the lowest possible level of militarization, where the conservative forester and the conscientious objector can work together to prevent the new tank lane.

When it then reaches the point where the pacifistic goal of abolishing the military comes in sight and the forester wants out, then one can still find much to discuss.

9746

CSO: 3620/140

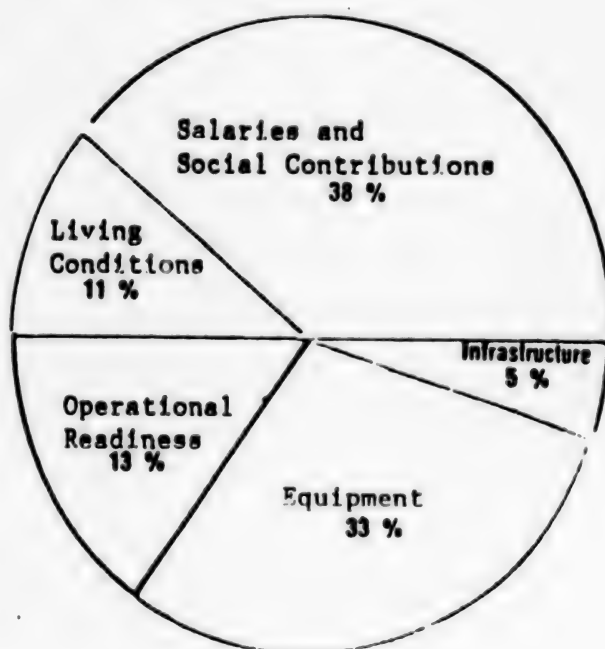
## ARMY SHARE OF '87 BUDGET, EQUIPMENT ORDERS DISCUSSED

Pussay TERRE-INFORMATION in French Jan 87 p 15

[Text] For the armed forces, the 1987 budget corresponds to the first installment under new legislation, now in effect, covering the 1987-1991 program for the military.

The defense allocation for 1987 comes to Fr169.2 billion, up 6.9 percent over 1986, while the overall state budget rose only 1.8 percent. The percentage of the Gross Domestic Product allocated to defense efforts is up from 3.72 to 3.79.

The Army receives Fr45.130 billion, 26.7 percent of the Defense budget. The following graph illustrates how the allocation is divided among major spending categories.





### Title III (Operations)

At Fr24,220 million, the allotment to Title III has risen 1.6 percent. This funding level is misleading since it conceals the increased buying power brought about by the considerable drop in the price of petroleum products. If the funding level is reflected in salaries and general support, it marks an appreciable improvement in the area of armed forces training.

At this funding level, salaries progress at the same rate as public service salaries. Current operations and property maintenance are kept at the same buying power as 1986 allocations.

Measures have been taken to better the situation for personnel: meals while on duty have increased, and the number of leadership courses three and four for non-commissioned officers and corporals has been maintained at 1983 levels.

Yet the top priority remains that of developing operational capacity:

1. A halt to the drop in draftees anticipated in 1987 and reestablishment of posts eliminated in 1986, avoiding placing companies in reserve, despite a growing and serious decline in career and contract personnel;
2. 100 days field exercises, 50 with full equipment, a level which re-authorizes field exercises for major units; and
3. Measures to improve the reserves.

### Title V (Equipment)

The payment credits with an allocation of Fr20,910 million, up 12.8 percent compared to 1986, and program authorizations of Fr22,945 million, up 14.8 percent over 1986, show clearly the significant efforts that have been made toward Title V.

While meeting previous obligations and unleashing a significant amount of orders for tank, artillery, aerial mobility, and ground mobility programs, in particular, the budget also funds research and development in amounts necessary to develop the grand programs of tomorrow: HADES, the LECLERC tank, LRM (multiple rocket launcher), SATCP (short-range shoulder-fired ground-to-air missile), and purchasing and intelligence systems.



The following table shows orders and deliveries foreseen for 1987:

Equipment	Orders 1987	Deliveries 1987
AMX 30 B2 [main battle tank]	64	70
V.B.L. (light armored car)	105	12
155 AU Fl [gun]	20	24
L.R.M. (multiple rocket launcher)	4	0
AMX 10 VOA [reconnaissance vehicle]	7	23
SATCP(1) (portable)	30	0
SA 342 HOT [missile]	15	16
AS 332	6	0
V.A.B. [armored personnel carrier]	255	268
Tactical vehicles	2,678	2,614
E.B.G. (engineer combat vehicle)	18	0
P.F.M.	35	34
CL 289	1	0

(1) Short-range shoulder-fired ground-to-air missile

The 1987 budget takes advantage of the appreciable drop in the price of petroleum products and channels savings in operations to a sizable reemphasis on materiel. It represents a necessary compromise to assure the effectiveness of our military in the decades ahead.

13220/8309

CSO: 3519/71

## SUAREZ PROPOSES CLOSING U.S. BASES

Madrid EL PAIS in Spanish 25 Feb 87 p 15

[Excerpts] Madrid--Adolfo Suarez, the leader of the CDS [Democratic and Social Center], suggested yesterday in his speech before the full Congress that the administration should not "forget the possibility of renegotiating the conditions under which our country joined the European Community or at least some of the conditions." He also called for the dismantling of all U.S. bases in Spain, including the one at Rota, though he did acknowledge the need for bilateral accords with the United States on matters that do not further exclusively American interests. Suarez also called on the administration to forgo its power to veto the creation of investigations committees in Parliament and spoke at length on international security issues, especially in the Mediterranean.

In a speech in which he repeated almost word for word some of the ideas that he put forth during the election campaign (the sterility that fear of economic, religious, social and military power has caused in Spanish society), the CDS leader confidently took on Prime Minister Gonzalez, seeking a one-on-one battle and making very personal references to moves by Gonzalez himself or Deputy Prime Minister Alfonso Guerra.

Suarez acknowledged progress in the battle against terrorism and hailed the announced repeal of the antiterrorist law. He accused Prime Minister Gonzalez of losing touch with reality and recalled a piece of advice that Gonzalez gave him when he (Suarez) was in the Moncloa: "Get out on the street and listen to their problems."

He publicly admitted that he voted against Spain's membership in NATO. "I'm on the losing side," he said. But he demanded that the new status stemming from membership give our country greater leeway in its general commitments to the United States.

8743

CSO: 3548/53

## ADVANTAGES OF NEW PROMOTION SYSTEM DESCRIBED

Madrid EL PAIS in Spanish 10 Feb 87 p 10

[Editorial: "The Military Profession"]

[Text] The reform being implemented at a snail's pace by Narcis Serra within the confines of his department is about to change the criteria for promotions in rank through the new Military Function Law. Up to the present, and since time immemorial, military promotions have been based almost exclusively on the seniority factor, independent of the professional merit those involved may have accumulated throughout their careers. From the time a lieutenant left the academy, the number or position assigned him on the promotion list and the date of his birth became the only factors determining when his advancement in terms of each rank or job would occur. Thus young lieutenants had only to let time pass in order to win promotions. Years in advance, and irrespective of the courses they took or the assignments fulfilled, military officers knew with considerable accuracy when they would be promoted and, with total certainty, before whom and after whom their names would appear on the promotion schedule for all of their lives.

With such a basic plan, affecting all ranks from lieutenant to colonel--representing about 40 years service in the armed forces--it was, comparatively speaking, those who made no effort to perfect their knowledge or professional capacity throughout their careers who were most rewarded. Only at the end of their careers, when they qualify for promotion to the rank of general, is it probable, but not certain, that those who have made the greatest effort will have some advantage when the minister of defense in office makes his selections for this promotion.

One of the results of the present system is that regardless of the real needs of the various armies, everyone is promoted when the time comes, whether or not there are vacancies to be filled on the levels in question. This is why there are enough generals in Spain today, and in particular enough colonels and lieutenant colonels, to command almost all of the operational units in the NATO armies.

The so-called "military problem," which has been so decisive in the history of Spain throughout the past 150 years, has been in part the problem of "the military," that of a group of human beings selected by mechanisms which are in

large part endogamous and educated according to standards of conduct and ideological parameters unrelated to those of the ordinary citizenry. For this very reason, the solution of this problem involves adapting the education, on the one hand, and the professional expectations of those who have chosen this profession, on the other, to the same principles as govern civilian life.

The plan drafted by the Ministry of Defense will for the first time establish concrete criteria, in order to make military promotions more rational. On the basis of this law, we are assured, the professional merit accumulated throughout a military career will establish whether it is more or less brilliant, independent of length of service, although this factor will continue to have some weight, as it does in other professions.

With the new system, it is probable that the military lists will have to be reviewed periodically for the purpose of reclassifying the members of each graduating class as their professional levels vary, based on their assignments, special training pursued or even languages.

The new law will involve other aspects and will describe the model for the military profession which is to be institutionalized in Spain. It is, then, the project which will most profoundly affect the personnel policy of the Ministry of Defense, and that which will have the greatest influence on the concept of the military profession in Spain.

For political wisdom is one thing, and absurdity is another. A proof of the confusion of the two concepts is seen in the fact that the names of Franco, Moscardo and Carrero Blanco continue to appear on the first pages of the official military list. Someone should inform the minister that at this point, there must already be thousands of soldiers who believe that to pretend to ignore the fact that Franco died 11 years ago, in order to avoid offending anyone, is an insult to the intelligence of any individual. And it is not with ghosts that a modern army functions.

5157  
CSO:3548/49

## TOTAL 'DEFENSE' EXERCISE IN VULNERABLE EASTERN CANTONS

## Armored, Mechanized Units Tested

Bonn TRUPPENPRAXIS in German Jan 87 pp 93-94

[Article by Maj Gen Karl-Hermann Friedrich [Ret]: "Cooperation between Civilians and Military in Switzerland"]

[Text] DREIZACK [TRIDENT]--Under this name a comprehensive total defense exercise took place in Eastern Switzerland from 3-20 Nov. Approximately 40,000 soldiers of field army corps 4 as well as civil defense agencies held exercises under military and civilian leadership in the area of the cantons Schaffhausen, Zurich, and Thurgau.

The major objectives of the militia and the civil defense agencies were:

- To train in the use of staffs and troops and the cooperation with the civilian leadership and defense organizations.
- To have all participants play active roles by setting requirements high and by a realistic conduct of the exercise.
- To be able to handle a mobilization with malfunctions.
- To test operational and combat readiness.
- To strengthen the confidence in the military and civil defense measures and to increase their dissuasive (deterrent) effect towards the outside.
- To translate the major findings of the exercise into measures for operations concepts and training.

Based on these goals there was a joint exercise command: corps commander J. Feldmann, commander of field army corps 4 (also overall command), and senior government official (member of the canton government) E. Ruesch, training director of the canton St. Gallen (civil exercise command).

## Participating Units

The following units participated in the exercise: Corps troops field army corps 4 (FAK4), field division 6 (F Div 6), mechanized division 11 (Mech Div 11), territorial zone 4 (Ter Zo 4), a border brigade, air defense and anti-aircraft defense troops (FFTrp) as well as canton and local leadership agencies and civil defense organizations of the cantons Zurich and Schaffhausen. An example of the troop strength: the field division had approximately 9,800 men, the mechanized division approximately 6,200, and the territorial zone approximately 6,800, while the air and anti-aircraft defense were about 5,000 men strong.

The exercise used approximately 150 battle tanks, 300 armored personnel carriers, 72 self-propelled howitzers, 36 towed artillery pieces, 72 fighter planes, and 24 helicopters. The range of fixed-span floating and combat bridges was approximately 500 m.

## Situation and Situation Development

Based on the goal of practicing mobilization which is particularly important for the militia the command included malfunctions. There was an additional malfunction from the outside due to falsified printing products. Nevertheless the mobilization proceeded with great precision--at least to the outside observer.

In strict observance of Swiss neutrality, no reference is made to current political or military conditions when specifying exercise situations.

The purpose of this large-scale exercise was the defense of the neutrality of the Swiss Confederation, i.e. to defend against an enemy pushing forward into Switzerland from the North and also to fight against an air-borne enemy. Tank battles broke out in the hilly terrain.

As a first for Switzerland (which has a dense and fully developed road network), a division from the Zurich area was transferred by rail to the Schaffhausen area, an action which was well organized and did not seem to pose any major problems even at night. However, it should be noted that there was relatively little use of air forces on both sides.

The deployment of the mechanized division from the very narrow Schaffhausen area posed location-related problems which had to be solved.

## Civil Defense

During this large-scale exercise which was specifically devoted to total defense the civil defense again presented an image of excellent preparation and combat readiness of equipment, material, and personnel. The German observer, for instance, can only feel admiration and start wondering when he hears--and also experiences in practice--that defense shelters have been built, set up, and also equipped for almost the whole population. Moreover, during this exercise a group of almost one thousand inhabitants was housed in a defense shelter for several hours, even though on a voluntary basis. Here,



it should be noted that Swiss law provides for the establishment of defense shelters not only for residential housing, but also for hospitals, schools, and industrial workplaces. Thus, cities have protective space amounting to more than 100 percent. The men and women of the civil defense in their dark blue "uniform", a type of working suit, work everywhere in these installations. Underground hospitals make a definite impression on the foreign observer. Here, too, exercises include transfers, for example.

Just like the army, civil defense is based on a compulsory military service required by law, which also covers the men after they leave the military service. Nor does the command organization hold exercises from their desks, but "on location".

#### "Press and Radio"

A special feature of the exercise was the use of the APF group, the military unit "Press and Radio". It is organized and staffed along military lines, but comes under the Department of Justice and Police of the Swiss Confederation. Currently it is headed by a woman, i.e. Federal Councillor Elisabeth Kopp. The Swiss government works on the premise that media and government have to work together in order to solve a crisis. With its own technical equipment and editorial staff APF is in a position to use its stations to be a "guarantor of information in difficult times" in case the "media world" collapses. This institution and its use is not without controversy. However, during this exercise a TV program with general and maneuver information was broadcast every morning via the Swiss Broadcasting Corporation. 40,000 copies of the newspaper DREIZACK with general and maneuver news were printed daily and distributed among the troops. APF, too, was somewhat anxious to hear the echo from the the population, the political parties, and not least from professional circles.

After completion of the exercise the army arranged a comprehensive display of weapons on the grounds of the airport Duebendorf followed by a march, a field parade of the mechanized division 11.

#### Militia, Civil Defense Integration

Vienna DER SOLDAT in German 28 Jan 87, pp 1, 2

[Unattributed article: "Exercise Trident"--A Swiss 'Trident' Seen From Close Up"]

[Text] One of the most important defense exercises of the past few years took place in our neighbor country Switzerland: the total defense exercise "Trident".

Three "prongs" were formed by the field army corps 4, the territorial military organizations, and the civil defense units. The exercise covered mobilization, military repulsion of an attack and the cooperation between civilians and the military. An impressive parade of the mechanized 11th division completed this total defense exercise which included approximately

40,000 men and women. Conclusion: Both Switzerland's civilian and military defense is in a state of readiness.

#### The First "Prong": Field Army Corps 4

The field army corps 4 is located in Eastern Switzerland and had the assignment of mobilizing and fighting back an attack from the North (across the Rhine). The mobilization exercise was called the "first battle" which had to be won and in which a deliberate "malfunction" was created. Contrary to our practice, the militia soldier receives the order to leave home (!); he knows exactly where he is supposed to go. In the army motor depot, battle vehicles stand ready, well maintained by civilian personnel, so that the individual vehicle crew starts out immediately to a covered standby area. There, the company is lined up and prepares for deployment. This can mean a fight against an air-borne enemy. The soldiers of the border brigade immediately occupy their actual deployment areas and activate all barriers. They are the first to meet the attacker from the North (the "red" field division 6). In the meantime, the "blue" mechanized division 11 gets ready for a counterattack. Antiaircraft guided weapons and guns are stationed in many places, antitank guided weapons "lie in wait" in every favorable terrain. The tanks which are "put out of action" are easily recognizable; with a simulation device each "hit" is indicated at the turret with a blinking orange signal lamp. However, the exercising tank units have a great handicap; in order to avoid damage to agricultural areas, they "attack" almost exclusively along the road. A tank commander, a goldsmith in civilian life, admits that this reduces battle realism.

The counterattack requires crossing over the Thur which is done by the corps of engineers. The counterattack quickly leads to a close engagement between the "blue" and "red" forces which also signals the end of the exercise.

The exercise proceeds exactly according to schedule. After the command "end fire", it suddenly starts to rain. The final parade of the mechanized division 11 on the airport in Duebingen brings a few surprises: 80,000 spectators who pay for the seats in the stand, an almost two-hour long procession of battle tanks and armored personnel carriers as well as wheeled vehicles including many "Pinzgauer", the jump of 40 paratroopers precisely into the column without interfering with it, the passing of 24 "Hunter" and "Mirage" jets each, and the acrobatics of the flying squadron "Patrouille Suisse".

#### The Second "Prong": The Territorial Organizations

The logistic units of the territorial military organizations first had to take up a "deception position" and then to change location. The basic supply station for food is located well disguised in a civilian storage hall and only be reached through a barbed-wire entrance. If a vehicle enters, the light goes out as long as the gate is open, and only turns on again dimly when the gate is closed. Nowhere does the Swiss militia system appear to be more thoroughly organized: the soldier responsible for cheese is from Appenzell, the person issuing beef is a butcher, the person issuing bread is a baker, and so on. Deep down, underground, safe from bombs, medical unit 46 practices in

its military base hospital in Winterthur, where "extras" are also admitted. The severely wounded soldier (and also the civilian) is supposed to be brought to the military base hospital without many detours. There you will notice--if not before--that the Swiss army has a voluntary female service which has not only a proficient, but also a military appearance: "I am signing off the hospital!" is the terse military message to a female superior who passes the hospital exit.

### The Third Prong: "Civil Defense"

The command staffs of the cantons Zurich and Winterthur, the district staffs, local agencies in 64 communities and numerous civil defense organization practiced on a 1:1 scale, i.e. as realistically as possible. All command staffs worked in spaciouly equipped underground bomb-proof command centers where primarily the authorities, police, civil defense, technical services, transport and information were coordinated on a continuous basis. All position changes are illustrated on large maps, while messages arrive and are being processed constantly.

In a huge demolition project near Wintherthur the use of the civil defense detachment and the medics is practiced on location with fire and smoke. Again, there are women among the somewhat older male civil defense personnel. The exercise leader of the civilian exercise, senior government official Ruesch, thinks that the military air defense is being called upon much too early, when self-help would still be possible.

Self-help is possible on a large scale. For the exercise, a parking place--again underground--was quickly converted into a huge civil defense area which offers hundreds of people good protection relatively quickly.

Particular importance is attached to the medical services which are coordinated in the canton between civilian and military base hospitals according to the following premise: the modern threat turns army and population into a community sharing a common fate. The term "patient" is understood to mean all persons, civilian or military, Swiss or foreign.

### Summary

The total defense exercise "Trident" showed how a militia can become effective by mobilization and cooperation with civilian authorities. The Swiss will analyze this exercise very objectively, expand on its strengths and reduce errors. For us Austrians the following could be true: We should not copy, but we should understand and adapt what is possible.

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CSO: 3260/157

## LACK OF COORDINATION IN DEFENSE INDUSTRY EFFORTS

Istanbul MILLIYET in Turkish 2 Jan 87 p 7

[Article by Unver Cekemoglu]

[Text] Ankara--While the Defense Industry Development and Support Fund has been increasing its number of contacts with domestic and foreign firms to almost 500, the failure of the government to define clearly its policy on this issue has prevented the fund from becoming viable.

Turkey, which is making a concerted effort to establish a defense industry, is unable to progress at the desired speed because it has been unable to escape having "too many chiefs." Defense industry projects are being overseen by four entirely separate units. Thus, coordination has not been achieved. At present, the following organizations supervise, without "intercommunication," defense industry work:

The Ministerial Office of Defense Industry Support and Development, the Ministry of National Defense Office of Technical Services, the armed forces foundations, and the Ministry of Industry and Trade Office of Defense Industries.

It is reported that the Ministry of National Defense and Ministry of Industry as well as the defense fund and armed forces foundations are reluctant to cooperate with each other. A concrete example of this is the lack of success in turning over the foundations to the fund.

Although the law that established the defense fund intended that revenues and property of armed forces foundations be transferred to the fund as necessary, neither the army nor the air force fortification foundations have complied with this.

It is of interest that proposals to general councils of these two foundations were rejected.

## New Technology

While the Ministry of National Defense works to award international contracts

to meet the needs of the armed forces, foreign firms resist providing the "latest technology" in bids on manufacturing projects to be awarded by the defense fund.

Defense Fund Directorate officials, speaking on the subject, state that the directorate requested of firms they contacted proposals for "the latest and most advanced" technology, but that foreign firms appear to be unwilling to provide this.

Officials from specialized firms claim, in responses sent to the fund, that they have spent billions of dollars in their own countries on research and development and, therefore, are unable to deliver this technology to Turkey in its present form.

It is asserted that the basic problems in the projects being undertaken by the fund are financing and the acquisition of new technologies, and, for these reasons, it will take time to achieve concrete developments in investments.

Both the fact that too many organizations have authority in the area of defense investments and the unwillingness of foreign firms to furnish new technologies prevent work on defense from being conducted at the desired speed.

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## OIL MINISTER OIEN WANTS POLICY OF STEADY GROWTH IN GAS SALES

Oslo AFTENPOSTEN in Norwegian 14 Feb 87 p 3

[Article by Hans Chr. Erlandsen: "Find More Oil -- Sell More Gas!"]

[Text] "In the beginning of the 1990's we hope that oil prices will be rising. If not before, it will then be untimely for Norway to support OPEC initiatives." Oil and Energy Minister Arne Oien is an optimist about Norwegian oil industry products. Now on leave from his job as director of the Central Statistical Office, Oien stands for a line in oil policy that stresses continuity and cross-political unity.

If Oien predicts correctly and oil prices in a few years take pity on overworked finance ministers, it will happen at a time when Norway will pass Great Britain and become the largest oil producer in Western Europe. With such a position it can be advantageous to drop the international burden of supporting OPEC initiatives to hold prices up.

## OPEC

The government has, among other things, voted to lower Norwegian oil production by 7.5 percent in the first half of this year. Have the Norwegian measures had any effect?

"I think so, but it cannot be proved," Oien said.

The oil and energy minister sees a few problems on the Norwegian continental shelf in the years to come. One of them is the uneven exploitation of new fields. While in 1985-86 between 30 and 35 billion kroner was invested on the continental shelf each year, he fears that the investments will sink to "only" 20 to 25 billion in 1988-89.

"But if all the plans for expansion are realized, there can be an investment high at the beginning of the 1990's of perhaps 50 billion 1986 kroner," he said.

Only new finds, preferably of oil, can prevent this up and down path of investments from falling down to a reasonable low at the end of the same decade.

## Strategy

"Therefore there are two main points in our strategy," Oien said. "Find more oil! Sell more gas!"

The explanation is that Norway has three times as large gas reserves as oil reserves. It should preferably have been the other way around, for oil is much easier to sell than gas. If a field contains both oil and gas, the oil production becomes dependent upon the gas also being sold.

AFTENPOSTEN: What can be done to sell more Norwegian gas?

Oien: Right now there are feelers between Statoil and British gas. I myself will meet the British energy minister this summer. We hope that this can lead to negotiations and then afterwards to an agreement without surprises.

Oien also pointed out that there is more than one opinion in Great Britain about the purchase of Norwegian gas, as Norway learned when the agreement on the sale of gas from the Sleipner field was dramatically rejected. Among other things, the oil company, British Petroleum, thinks that the English will not need Norwegian gas for many years yet.

When there was also an uproar concerning the sale of gas to France last year, the prime ministers on both sides had to be mobilized before an agreement could be reached. But Oien does not want to overdramatize the significance of political considerations, either in this special case or in general. "It is not true that economic considerations will be in the background," he said.

This means according to Oien that it is not so timely for Norway to work hard for political advantages so that other countries in Western Europe will buy Norwegian gas. He thinks that it is correct for Norway to stress such factors at international meetings and to take them up with individual countries only when appropriate.

AFTENPOSTEN: How many gas power plants will there be in Norway in 1995?

Oien: Let me guess at two. One at Karmoy and one in central Norway.

Oil?

The question of how much oil there is on the Norwegian continental shelf is decisive for how Norway in the years to come will manage its oil and gas reserves.

"If all the projects for expansion of oil fields that are planned are carried out, we may risk producing so much oil that these reserves will be used up just beyond the year 2000. We must put a question mark here. Therefore the expansion of oil fields is also dependent upon how much more oil we find," Oien said.

The oil and energy minister said that he is not a geologist, but believes just the same that there is more oil in the North Sea and especially off northern Norway.

Even if he is ashamed of his geological knowledge, he should have all the means to evaluate professionally the tax changes for oil companies that were voted by the Storting before Christmas of last year. Oien had a great deal to do with oil taxes when he was employed as special advisor in the Finance Department. Those were good times, and the taxes were raised higher and higher under constant protests from the companies.

"The system is now working in such a manner that one almost only has an allowance when a field is expanded, but high taxes when the companies earn well. The tax system is no longer an obstacle for the oil companies' interest in working on the Norwegian continental shelf," the tax expert said.

#### Investment

Oien calls the tax advantages the companies have during expansion investments on the part of the country. Together with the investments Statoil and the government make in new fields, the tax advantage means that if shortly into the 1990's 55 billion kroner a year is spent in construction, the state will in reality pay 90 percent, or 50 billion, of this.

AFTENPOSTEN: Is northern Norway now impatient to get the oil activity it has waited for for years?

Oien: I understand that the disappointment is great, but people must realize that the reason is that large enough finds have not yet been made.

In April the Oil and Energy Department hopes to present a Storting report on Oil-Norway in the coming years.

"For Statoil it may be timely to work up more frequent reports to the general meeting (which is the minister himself) and to management," Oien pointed out.

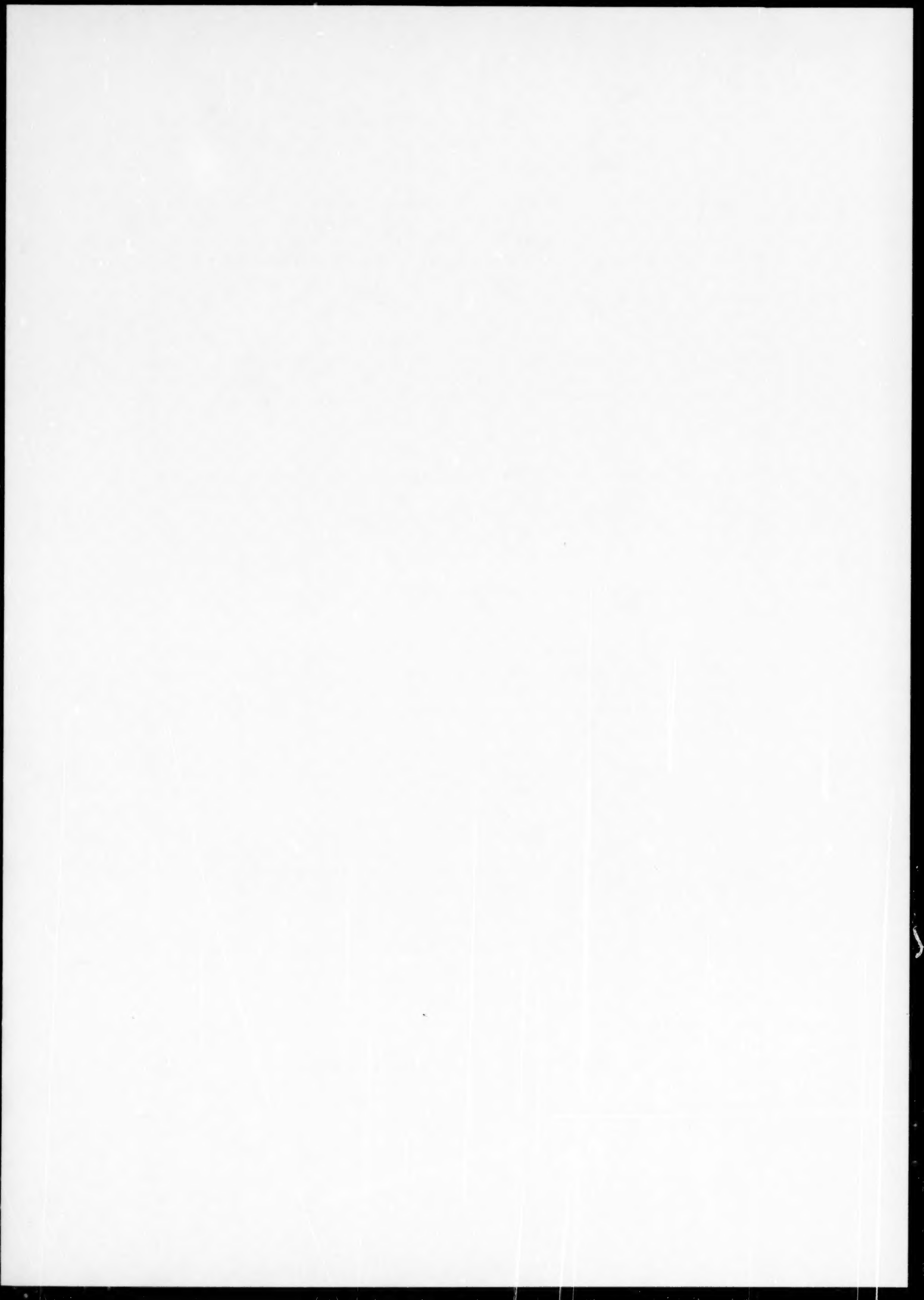
#### Statoil

He also indicated that adjustments may be made in the organization of Norwegian gas sales, where Statoil, to the great irritation of among others, Norsk Hydro, is dominant.

"Hydro's critical comments are not something we can ignore," the minister said diplomatically.

AFTENPOSTEN: How is it for a director in a statistical office that looks backward suddenly to have to look far into the future?

"Remember that the last time I was in the Central Statistical Office my job was in future models," Oil and Energy Minister Oien said with a smile.



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